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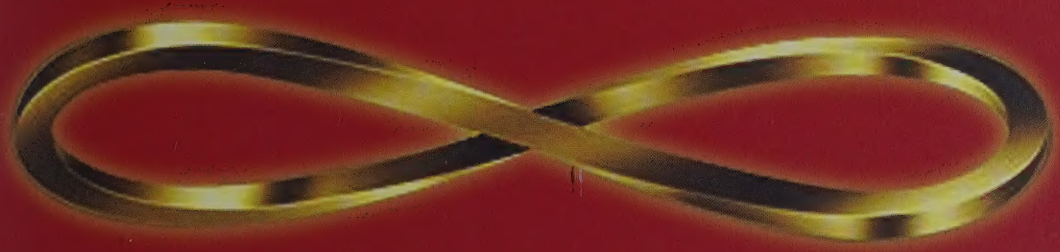

EVOLVING STRATEGIES FOR CHANGING MARKETS

2004 Annual Report

Mullen
TRANSPORTATION INC.

CORPORATE PROFILE

Mullen is a diversified transportation and oilfield services company, with its activities divided into two distinct business segments: Oilfield Services and Trucking. Each segment, through its diversified business units, supplies different services utilizing various types of equipment. In 2004 the Company continued its strategy of focusing its expansion in the Oilfield Services segment as it traditionally has better margins and enables the Company to benefit from the expansion of the oil and gas industry in western and northern Canada.

Mullen's 2004 Financial Report and Management's Discussion and Analysis is available on the SEDAR website at www.sedar.com and Mullen's website at www.mullen-trans.com.

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Mullen TRANSPORTATION INC.

2004 FINANCIAL REPORT

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HIGHLIGHTS

- Revenues increased by 11.7 percent to $470.9 million
- Net income increased by 43.5 percent to $46.5 million
- Earnings per share increased to $3.10 from $2.18
- Dividends increased to $.50 per share from $.40
- Shareholders' return on equity rose to 18.9 percent
- Debt to equity declined to: .15:1

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis for 2004 should be read in conjunction with the 2004 annual consolidated financial statements ("2004 Annuals"). Additional information, is available at www.sedar.com. All amounts are in Canadian funds.

This report contains forward-looking statements which reflect management's expectations regarding the Mullen Transportation Inc.'s ("Mullen" and/or the Company) future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "believe", "expect", "view" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this report are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Overview

Mullen is a diversified transportation and oilfield services company, with its activities divided into two distinct business segments: Oilfield Services and Trucking. Each segment, through its diversified business units, supplies different services utilizing various types of equipment. In 2004 the Company continued its strategy of focusing its expansion in the Oilfield Services segment as it traditionally has better margins and enables the Company to benefit from the expansion of the oil and gas industry in western and northern Canada. This expansion strategy has resulted in the Oilfield Services segment revenue increasing from 38 percent in 2000 to 65 percent of pre-consolidated revenue in 2004. In 2004 the Company had a full year effect of the Cora Lynn Drilling Co. Ltd. ("Cora Lynn") acquisition, which was completed in late 2003. On October 1, 2004 the Company completed the acquisition of Northern Underwater Systems (N.U.S.) Ltd. ("NUS"). NUS provides water management related services to its oil and gas, oil sands, and industrial customers. These specialized marine capabilities involve dewatering services through the rental and sale of pumps and support equipment, and dive, barge and dredging services. This acquisition was small and its effect on the 2004 financial statements is insignificant. Nonetheless, it does provide an additional type of service and we view it as a business with potential growth opportunities in our Oilfield Services segment.

The (2004 Annuals) referred to are prepared according to Canadian Generally Accepted Accounting Principles ("GAAP"). References to operating income, funds from operations, discretionary funds from operations, and return on invested capital are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors should be cautioned that these indicators should not replace net earnings as an indicator of GAAP performance.

(1) Operating income is defined as net income before interest, income taxes, depreciation, amortization, earnings from equity investments, and gains or losses on the sale of property, plant and equipment ("PP&E"), and gains or losses on the sale of investments. Operating income is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to depreciation, financing, or taxation in various jurisdictions. The Company's method of calculating operating income may differ from other companies and therefore may not be comparable.

(2) Funds from operations is defined as cash provided by operations before changes in non-cash working capital items.

(3) Funds from operations per share is calculated by dividing funds from operations by the weighted average number of common shares outstanding.

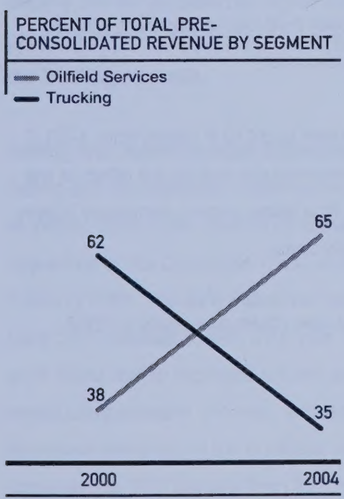
(4) Discretionary funds from operations is funds from operations, less PP&E additions, plus proceeds on the sale of PP&E.

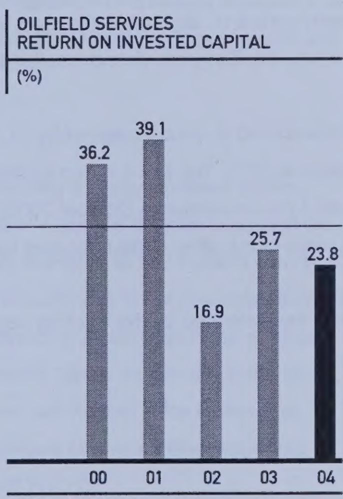
(5) Return on Invested Capital ("ROIC") is calculated by dividing earnings before interest and taxes by the total of the long-term debt and equity at the beginning of each year.

(6) Restated amounts or percentages for years 2003 and 2002 ("restated") are restated to reflect the retroactive adoption of the new Canadian accounting standards that apply to the fair value method of all stock-based payments and awards. The year 2000 amounts or percentages have been restated to account for discontinued operations.

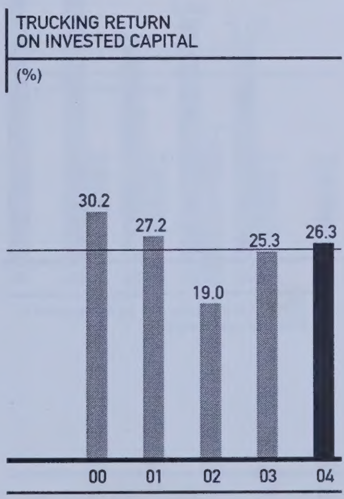
Selected Annual Information

($ Millions, except per share amounts)	2004	2003	2002
		(restated – note 6)	(restated – note 6)
	$	$	$
Revenue	**470.9**	421.5	302.5
Net income	**46.5**	32.4	17.7
Earnings per share – basic	**3.10**	2.18	1.21
– diluted	**3.07**	2.16	1.18
Funds from operations	**70.0**	52.1	32.2
– per share	**4.66**	3.51	2.20
Total assets	**400.7**	381.6	294.5
Total long-term debt	**39.2**	73.6	30.5
Cash dividends declared per share	**0.50**	0.40	0.40





Five year average return on invested capital of 28.3% from 00-04.



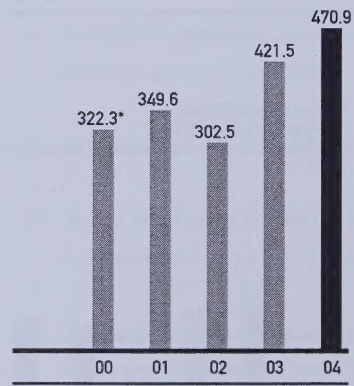
Five year average return on invested capital of 25.6% from 00-04.

In the outlook section of the 2003 Management's Discussion and Analysis we anticipated that 2004 would be another strong year for three reasons; the October 2003 Cora Lynn acquisition was expected to be accretive, we expected oil and natural gas prices to remain high, and we expected a continued expansion of Alberta oil sands plants. Oil and natural gas

prices did in fact remain high, contributing to an increase in Canadian drilling activity, from 21,833 wells in 2003 to 22,704 wells in 2004. This positively affected our rig moving business and indirectly affected several of our other businesses. In addition, there was continued expansion of oil sands plants which benefited the Company. As a result, revenue in the Oilfield Services segment increased by 19.4 percent to $309.6 million from $259.2 million in 2003. Revenue in the segment was 65.4 percent of pre-consolidated revenue, up from 61.1 percent in 2003.

We also said in our 2003 outlook that we expected some minor improvement in the operating results in 2004 for the Trucking segment. Revenue in this segment declined by 0.8 percent to $163.7 million from the prior year's $165.1 million. However, operating income did improve by $2.1 million to 14.4 percent of revenue, up from 13.0 percent in 2003 reflecting the Company's strong commitment to maintaining profitability.

CONSOLIDATED REVENUE
($ Millions)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

Consolidated Revenue

Revenue is generated by providing a wide range of trucking and oilfield services utilizing company assets which are either owned by the Company, or leased under long-term operating leases ("company equipment"), owner operators who provide trucks and sometimes provide trailers, exclusively for the Company under yearly contracts, and sub-contractors who own their own equipment and are used by the Company during times of peak demand.

Consolidated revenue increased by 11.7 percent to $470.9 million from $421.5 million in 2003. The $49.4 million increase was primarily due to the effect of the Cora Lynn acquisition in October 2003, and to a lesser extent, increased activity in some of our other Oilfield Services business units.

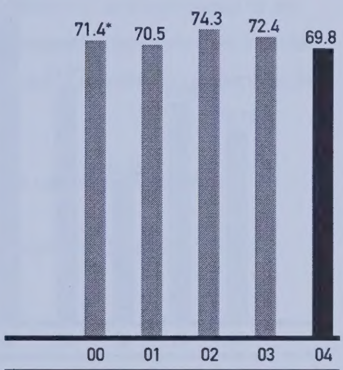
Revenue generated by the Trucking segment was down marginally in 2004.

Direct Operating Expenses

Direct operating expenses include three main categories of expenses. The first category, sub-contractors, are hired on an "as-needed" basis, and in some of the business units are used on a regular basis. Sub-contractors have their own equipment and can supply their services to any company. The second category, owner operators, are licensed under, and work exclusively for Mullen. The third category of direct operating expense relates to the direct costs incurred to operate and maintain the Company-owned or leased assets ("company equipment") used to provide the service. The major direct operating costs associated with operating Company equipment are wages, repairs and maintenance, fuel, and operating supplies. Direct operating expenses increased to $328.9 million from $305.1 million in 2003, reflecting increased costs associated with the increase in revenue, and, to a lesser extent, general increases in operating costs. As a percentage of revenue, these expenses improved year-over-year declining to 69.8 percent of revenue from 72.4 percent in 2003. This decline can be attributed to higher levels of utilization of company equipment, and generally improved operating margins in both the Oilfield Services segment and the Trucking segment.

DIRECT OPERATING EXPENSES

(As a % of Revenue)



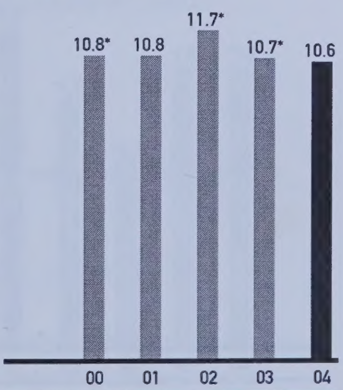
* refer to note 6 on page 2 of this Management's Discussion and Analysis.

Selling and Administrative Expenses

Selling and administrative expenses include selling and administrative salaries, employee profit share, and other administrative expenses incurred to support the operations of the Company. These expenses increased to $49.9 million from $45.3 million in 2003. The $4.6 million increase is primarily due to the new costs from the Cora Lynn acquisition, with a full year of operations; an increase in the employee profit share due to improved returns on invested capital; an increase in the stock-based compensation expense; and additional staff in head office to meet the increasing demands of the business. As a percent of revenue these expenses decreased to 10.6 percent from 10.7 percent in 2003.

SELLING AND ADMINISTRATIVE EXPENSES

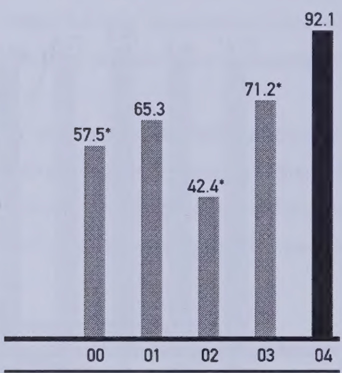
(As a % of Revenue)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

CONSOLIDATED OPERATING INCOME

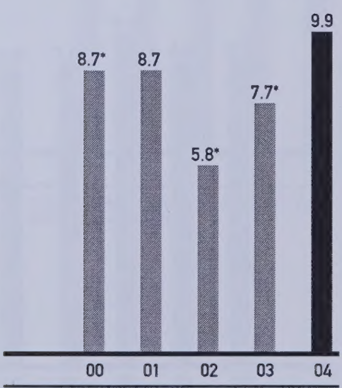
($ Millions)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

NET INCOME

(As a % of Revenue)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

Operating Income

Operating income, as defined on page 2, increased by 29.4 percent to $92.1 million from $71.2 million in 2003. The acquisition of Cora Lynn was the primary reason for the increase adding $15.0 million of incremental new operating income in 2004. Smaller increases were achieved in the other business units due to a combination of price increases, productivity gains as a result of the addition of new capital assets, and through the Company's overall focus on cost control. These increases were offset by higher head office costs, namely salaries, professional fees, and stock-based compensation. As a result, the operating margin increased to 19.6 percent from 16.9 percent in 2003.

Net Income

Net income increased by $14.1 million or 43.5 percent to $46.5 million from $32.4 million in 2003. The increase was primarily generated in the Oilfield Services segment which showed improved revenue and margins. The Trucking segment, which had a small decrease in revenue, was more profitable, with net income improving by $2.0 million. Earnings from our equity investments also improved from $0.3 million in 2003 to $0.8 million in 2004. Earnings from equity investments consist of earnings from Payne Transportation Inc. ("Payne" – 45 percent ownership) and our investments in two northern Canadian businesses, Beaufort Oilfield Support Services Inc. ("BOSS" – 49 percent ownership) and Mackenzie Delta Integrated Oilfield Services Inc. ("MDIOS" – 39 percent ownership). The earnings from equity investments increased due to improved earnings in Payne and BOSS. Payne was started in 2000 and its profitability has increased each year. BOSS lost money in 2003, but expanded its operations significantly in 2004 with financial support from the shareholders, and made a small profit. Mullen loaned $7.2 million to BOSS in 2004 to assist in the purchase of new floating camps, marine equipment and a 50 percent interest in Arctic Oil and Gas Services Inc. The marine equipment and floating camps were well utilized and BOSS generated a positive return in 2004. MDIOS also generated income in 2004 similar to the 2003 amount.

Net income was positively affected by a decline of 1.0 percent in the Alberta Corporate Income Tax rate. This reduced the future income tax by $0.9 million in 2004 from an increase of $0.1 in 2003. The 2003 increase reflected higher Ontario income tax rates which were partially offset by tax rate decreases in Alberta. (See note 9 of the 2004 Annuals).

Segmented Results

Oilfield Services Segment

The Company provides the energy sector in western and northern Canada with a wide range of services related to the drilling for oil and natural gas, infrastructure development and capital projects. Energy companies generate their income from the sale of the commodities they produce and as such their decision to deploy capital is primarily dependent on the cash flows generated by the combination of production levels and commodity prices.

The services provided by the Company in the Oilfield Services segment can generally be categorized as follows:

Rig Moving Services: dependent on oil and natural gas drilling activity in western and northern Canada.

- Mullen Trucking Inc. – Oilfield Services
- FSJ L.A.N.D. Transport Ltd.
- MTI Delta Energy Services

Drilling Services: dependent on oil and natural gas drilling activity and core drilling for the oil sands industry.

- OK Drilling Services Inc.
- Anderson Air Drilling Ltd.
- Cora Lynn Drilling Partnership

Production Services: dependent on transporting heavy oil and servicing heavy oil wells in western Canada.

- E-Can Oilfield Services Partnership ("E-Can")
- Heavy Crude Hauling Partnership ("Heavy Crude Hauling")
- Lloydminster Heavy Crude Services Ltd.

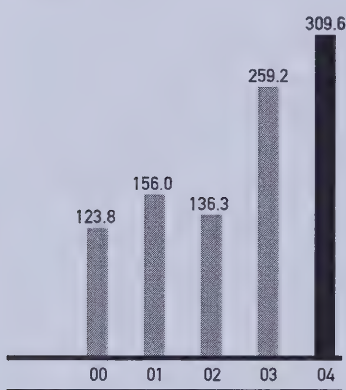
Specialized Services: dependent on major capital projects, big-inch pipeline work and water management services.

- Premay Equipment Ltd.
- Premay Pipeline Hauling Ltd.
- Northern Underwater Systems (N.U.S.) Ltd. ("NUS") – Acquired in October, 2004.

Mullen expected that there would be an increased demand for services supplied by its Oilfield Services segment as the expected high prices for oil and natural gas would fuel incremental capital investment and drilling activity in western Canada. The high prices continued during 2004 leading to a record number of oil and gas wells drilled in western Canada. This activity generated improved results in our rig moving services. Drilling services experienced a large increase in revenue, mainly due to the inclusion of a full year of revenue generated by Cora Lynn, however these increases were partially offset by a small decline in our conductor pipe-setting business as new competitors entered the market. The high oil prices also created increased demand for production services, which are dependent upon production of heavy oil. Specialized services also experienced a small increase in revenue from 2003 as it benefited from the October 1, 2004 acquisition of NUS. All the businesses in the Oilfield Services segment operate in a competitive environment with competitors ranging from small local or regional businesses to large international companies.

OILFIELD SERVICES SEGMENT REVENUE

($ Millions)



Revenue

Revenue is earned by either utilizing contractors, which include both sub-contractors and owner operators or by using company equipment. In peak periods when owner operators and company equipment are fully utilized, the extra volume of work is handled by sub-contractors. This arrangement allows the segment to cope with peak seasonal business without having to invest in additional operating equipment which might only be used during peak activity periods.

Revenue in the Oilfield Services segment increased by $50.4 million or 19.4 percent to $309.6 million from $259.2 million in 2003. A significant portion of the increase was due to the expansion of drilling services, which included a full year's results for Cora Lynn. The Company also generated higher revenues from other services provided by the segment, the most notable being revenue from rig moving services which rose 9.8 percent. Drilling activity in western Canada rose to a record 22,704 wells drilled representing a 4.0 percent increase over 2003. The relative strong performance of rig moving services was due to improved margins and higher demand for the transportation of larger drilling rigs, a specialty of the Company. In production services E-Can had an 11.5 percent increase in revenue and Heavy Crude Hauling had a nominal 1.9 percent increase. Specialized services revenue also had a 5.3 percent increase in 2004 due to the acquisition of NUS and increased revenues in our pipeline services, which was partially offset by a decline in the transportation of heavy equipment.

Revenue generated by contractors increased by $7.2 million to $123.6 million but decreased to 39.9 percent of the total revenue earned in the segment from 44.9 percent in 2003. The $7.2 million is due to increased use of contractors in rig hauling and heavy oil transportation. The decline in the percentage is due to the fact that neither Cora Lynn nor NUS use contractors and all their revenue, which accounts for a substantial portion of the revenue increase, is earned using company equipment. As a result, revenue earned by company equipment was $185.0 million as compared to $141.9 million in 2003, an increase of $43.1 million or 30.4 percent. Revenue earned by company equipment increased to 59.8 percent of total revenue compared to 54.7 percent in 2003.

Revenue Analysis

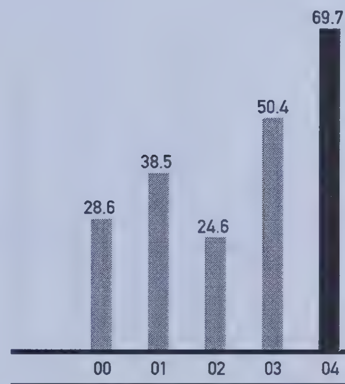
($ Millions)	2004		2003	
	$	% of total	$	% of total
Contractors	**123.6**	**39.9**	116.4	44.9
Company equipment	**185.0**	**59.8**	141.9	54.7
Other	**1.0**	**0.3**	0.9	0.4
Total	**309.6**	**100.0**	259.2	100.0

Direct Operating Expenses

Direct operating expenses include the costs for work done by contractors and direct operating expenses for company equipment. Total direct operating expenses were $210.6 million or 68.0 percent of revenue, compared to $183.7 million or 70.9 percent of revenue in 2003. This equates to a gross margin of 32.0 percent of revenue in 2004 compared to 29.1 percent in 2003. The margin improvement is primarily due to the Cora Lynn acquisition, which is a higher margin business, and to improved margins for rig moving. Contracting costs increased to $94.2 million or 76.2 percent of contract revenue compared to 78.3 percent of contract revenue or $91.1 million in 2003. The margin improvement was mainly associated with improved margins in production services. The direct operating expenses related to revenue generated by company equipment increased to $116.4 million or 62.9 percent as compared to $92.6 million or 65.3 percent in 2003. The major direct operating expenses for company equipment are wages, repairs, fuel and operating supplies. Wages decreased as a percent of company revenue as there was better utilization of equipment in rig moving, production services and from the effect of the Cora Lynn acquisition, a capital intensive business with lower operating costs but higher depreciation. Repair and maintenance costs, and fuel, expenses were higher on an absolute basis; but improved as a percent of company revenue, again primarily due to the effect of the Cora Lynn acquisition.

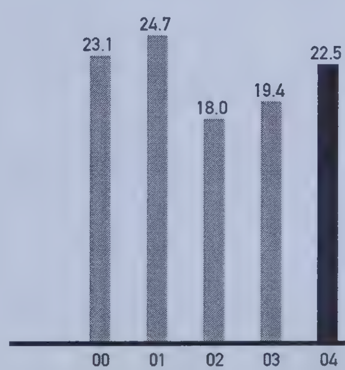
OILFIELD SERVICES SEGMENT OPERATING INCOME

($ Millions)



OILFIELD SERVICES SEGMENT OPERATING INCOME

(As a % of Revenue)



Selling and Administrative Expenses

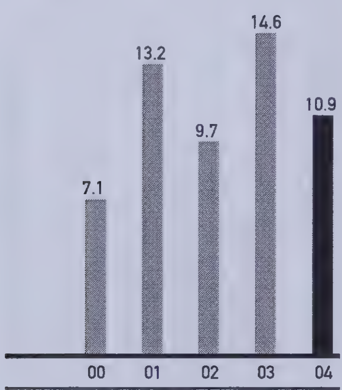
Selling and administrative expenses were $29.3 million or 9.5 percent of revenue, up from $25.1 million or 9.7 percent of revenue in 2003. The $4.2 million increase is mainly due to a full year's administrative expenses for Cora Lynn and the small increases in salaries and profit share in the other businesses of the Oilfield Services segment. The percentage decrease resulted from a lower percentage in administrative expenses in the Cora Lynn business, relative to the other business units.

Operating Income

Operating income increased to $69.7 million or 22.5 percent of revenue, compared to $50.4 million or 19.4 percent of revenue in 2003. The increase in operating income and the margin improvement is primarily due to the inclusion of a full year's results for Cora Lynn, and to a lesser extent, to improved margins in the rig moving business.

OILFIELD SERVICES SEGMENT
CAPITAL EXPENDITURES

($ Millions)



Capital Expenditures

The segment spent $13.2 million on new assets and disposed of $2.3 million of assets which were either redundant or required upgrading. The net capital expenditures of $10.9 million were mainly for upgrading existing field operating equipment. In 2003 net capital expenditures were $14.6 million. In addition to the normal capital expenditures, the Company acquired $6.6 million of capital assets with the NUS acquisition, compared to the $36.2 million of equipment acquired with the 2003 acquisitions. (See note 3 of the 2004 Annuals.)

Trucking Segment

The transportation and distribution of freight is a multi-billion dollar business in Canada. However, the freight industry is highly competitive and fragmented and as such the Company decided not to invest significant capital or to pursue acquisitions in this segment. The effect of this decision is evidenced by the steady decline in revenues since 2000. Recently, however, the fundamentals impacting this segment of the economy have improved and the Company may deploy more capital in the Trucking segment in the future.

Services Provided:

Dry bulk freight: dependent on construction and oil and gas drilling.

– Cascade Carriers Ltd. ("Cascade")

LTL freight: dependent on commercial activity in northern Alberta, British Columbia and Northwest Territories.

– Grimshaw Trucking Ltd. ("Grimshaw")

Long Haul vanload freight: dependent on transborder shipments between Canada, U.S. and Mexico.

– Mill Creek Equipment Ltd. ("Mill Creek")

Long Haul truckload freight: dependent on industrial activity in western Canada and transborder shipments between Canada and the U.S.

– Mullen Trucking Inc. – Truckload ("Mullen Trucking – Truckload")

The Trucking segment provides various types of trucking services in Canada, the continental U.S. and Mexico. In 2003 the U.S.-based operating subsidiary, Mill Creek Motor Freight Inc., was shut down and operating assets were redeployed to the Canadian operation or sold. Mill Creek continues to serve its customers in the U.S. and Mexico from its Canadian location.

Cascade operates primarily as a dry bulk transportation service for the construction and oil and natural gas industries in western Canada. There are many competitors, but the level of service provided to its largest customer has enabled Cascade to retain that business for many years. Cascade also is an "on demand" carrier for transporting anhydrous ammonia and liquid petroleum gas with specialized trailers. This service also has many larger competitors and the work is seasonal as there is only a requirement for Cascade's service in the peak season.

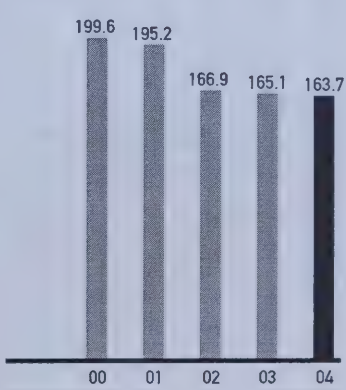
Grimshaw is based in Edmonton, Alberta and provides less-than-truckload service to approximately 200 towns and cities in northern Alberta, British Columbia and the Northwest Territories. Revenue is affected by the level of commercial activity, which is partially driven by the amount of major construction projects and oil and natural gas exploration activity. Grimshaw has many competitors, ranging from nationwide firms to smaller trucking firms, of which the majority do not offer the same area of service coverage as Grimshaw.

Mill Creek, a long haul carrier, is based in Cambridge, Ontario. It provides shippers with an expedited air-ride, vanload freight service across Canada, the U.S. and Mexico. Its revenue is dependent on the volume of consumer goods and office products, including furniture, computers and other electronic products, being shipped by major suppliers. Mill Creek has many competitors, ranging from large national carriers to smaller local companies.

Mullen Trucking – Truckload is based in Aldersyde, Alberta. It provides a long haul carrier service throughout Canada and the continental U.S.. Mullen Trucking – Truckload transports a wide range of products such as oilfield equipment, lumber, steel products, building materials, industrial equipment and heavy construction equipment such as bulldozers and graders. It has a wide variety of trailers, many of which are specialized to accommodate the diverse size of items being transported. The fleet was increased by the purchase of specialized trailers from a competitor in January 2004. Mullen Trucking – Truckload has numerous competitors ranging from large international freight companies to smaller local companies.

TRUCKING SEGMENT REVENUE

($ Millions)



Revenue

Revenue in the Trucking segment is earned by utilizing sub-contractors, owner operators, and company equipment. Total revenue was $163.7 million, a 0.8 percent decline from $165.1 million in 2003. The decrease was mainly due to the completion of a major transportation contract related to an oil sands plant in 2003, and to a lesser extent by a small decline in revenue at the Canadian operations of Mill Creek, as well as the loss of $3.1 million of revenue associated with the Mill Creek, U.S. operations which closed on March 31, 2003. Revenue in this segment, particularly with Mullen Trucking – Truckload and Mill Creek, was negatively affected by the decline in the value of the U.S. dollar, relative to the

Canadian dollar, since some revenue is invoiced in U.S. dollars. This exchange rate variance resulted in a $2.4 million decline in revenue when compared to the 2003 average exchange rate. In spite of these challenges the Company was able to mitigate the overall effect of these losses in revenue due to the strong rebound in economic activity in western Canada which drove revenue increases at Cascade and Grimshaw.

Revenue earned by contractors actually declined from $93.0 million or 56.3 percent of the Trucking segment revenue in 2003 to $90.6 million or 55.3 percent of revenue in 2004. The decline was primarily due to the decrease in revenue in Mullen Trucking – Truckload, as it reduced the use of contractors. Company equipment generated $72.3 million or 44.2 percent of the revenue, up slightly from $72.0 million or 43.6 percent in 2003. The remainder of the revenue was generated by miscellaneous administrative items.

Revenue Analysis

($ Millions)	2004		2003	
	$	% of total	$	% of total
Contractors	**90.6**	**55.3**	93.0	56.3
Company equipment	**72.3**	**44.2**	72.0	43.6
Other	**0.8**	**0.5**	0.1	0.1
Total	**163.7**	**100.0**	165.1	100.0

Direct Operating Expenses

Direct operating expenses include the cost of contractors and the direct operating costs of company equipment. Contractors consist of sub-contractors, who are hired on an "as needed" basis, and owner operators who are licensed through and work exclusively for the Company. Contractors are paid either as a percentage of the load revenue or at a fixed rate per mile. All costs of contractors are variable and were $68.7 million or 75.8 percent of contract revenue in 2004, down slightly from the $70.8 million or 76.2 percent in 2003.

Direct operating expenses for company equipment include major expenses such as driver wages, fuel, repairs and maintenance and truck lease costs. The direct operating expenses declined from $53.5 million or 74.3 percent of revenue generated by company equipment in 2003 to $53.3 million or 73.7 percent in 2004 as the segment benefited from a $0.5 million fuel tax rebate. This rebate was the result of a claim by Mill Creek for recovery of Federal excise taxes paid on fuel purchased in Canada but consumed in the U.S. The overall margin improvement, to 26.3 percent as compared to 25.7 percent in 2003, reflects the Company's ability to manage overall costs in spite of higher fuel, labour and major supply costs.

Selling and Administrative Expenses

Selling and administrative expenses, consisting primarily of selling and administrative salaries, employee profit share and other administrative costs to support the operations, decreased from $19.3 million or 11.7 percent of revenue in 2003, to $18.3 million or 11.1 percent of revenue in 2004, mainly due to the absence of administrative expenses associated with the Mill Creek U.S. operations, which were closed in early 2003.

Operating Income

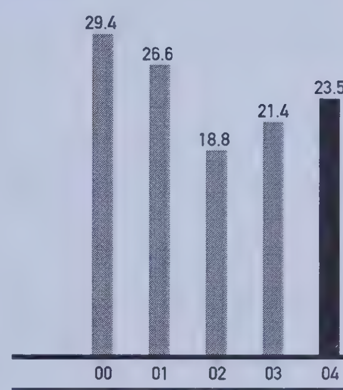
Operating income increased to $23.5 million or 14.4 percent of revenue, compared to $21.4 million or 13.0 percent of revenue in 2003. The improvement in margin and income, in spite of lower revenue, reflects small operating improvements in each of the business units, as well as the absence of the negative margin business associated with the Mill Creek U.S. operations, which had $3.1 million of revenue and a negative operating income of $0.8 million in 2003.

Capital Expenditures

Gross capital expenditures in 2004 were $5.1 million and disposals were $3.8 million, resulting in net capital expenditures of $1.3 million. This compares to $11.7 million of gross capital expenditures in 2003 and disposals of $6.6 million in 2003, for a net capital expenditure of $5.1 million. The low net capital expenditures is due to the continued disposals of older model trucks at Mill Creek and Mullen Trucking – Truckload. Those trucks were replaced with new leased trucks at favourable interest and lease rates, which are expected to lower maintenance costs, improve fuel mileage, and improve reliability. These improvements in direct operating expense in 2005 will be offset by higher equipment lease costs, but the Company expects the new equipment to lower overall operating costs.

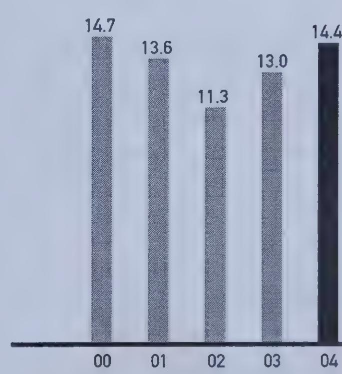
TRUCKING SEGMENT
OPERATING INCOME

($ Millions)



TRUCKING SEGMENT
OPERATING INCOME

(As a % of Revenue)



Corporate

Summary of Quarterly Results

($ Thousands, except earnings per share)			Earnings per share	
Quarters ended	Revenue	Net income	(basic)	(diluted)
	$	$	$	$
2004				
March 31	**159,473**	**22,811**	**1.53**	**1.51**
June 30	**91,157**	**5,146**	**0.34**	**0.34**
September 30	**100,242**	**7,063**	**0.47**	**0.46**
December 31	**119,988**	**11,457**	**0.76**	**0.75**
2003 (restated)				
March 31	125,821	12,514	0.84	0.83
June 30	89,501	4,674	0.32	0.32
September 30	95,925	7,241	0.49	0.48
December 31	110,257	7,991	0.53	0.53

2003 net income and earnings per share are restated to reflect the retroactive adoption of new accounting standards for stock-based compensation.

The first quarter of the year traditionally has the highest revenue and net income. This is primarily due to the seasonality of a significant portion of the Company's operations, which relate to core drilling, the moving of heavy equipment, the transportation of drilling rigs, and conductor pipe setting in northern and western Canada. The seasonality of the Company's business follows the seasonal patterns of western Canada's oil and natural gas exploration which peaks in the winter months and declines during the spring thaw. The spring frost comes out of the ground which makes roads incapable of supporting heavy equipment and makes it difficult to drill for oil and natural gas. As a result, demand for these services is traditionally highest in the first quarter and lowest in the second quarter. The acquisition of Cora Lynn in 2003 accentuates this seasonality. Cora Lynn does over 75 percent of its work in the first quarter as most core drilling is done in swampy areas and the ground needs to be frozen before work can be done.

Revenues in 2004 were higher in each quarter than in 2003. This is due primarily to the 2003 Cora Lynn and October 2004 NUS acquisitions, along with increased demand for other oilfield related services. Cora Lynn is a highly seasonal business with approximately 75 percent of its revenue earned in the first quarter of the year. Consequently, the quarter ended March 31, 2004 has the largest increase in revenue from 2003. All the increases relate to Oilfield Services revenue. The Trucking segment had a small decline overall as it was negatively impacted by the stronger Canadian dollar and the closure of the Mill Creek U.S. based operation in March 2003.

Capital and Liquidity

Funds from operations (see Consolidated Statements of Cash Flows in 2004 Annuals), increased by 34.4 percent to $70.0 million from $52.1 million in 2003. This equated to $4.66 per share, compared to $3.51 per share in 2003, a 32.8 percent increase.

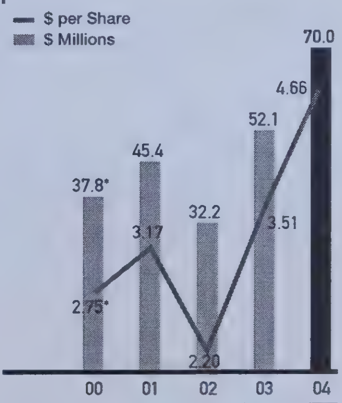
Source and Use of Cash
($ Millions)

Bank indebtedness, beginning of year	$ (0.5)
Funds generated from operations	70.0
Proceeds of common share issues	2.7
Proceeds from equity investee and sale of investments	0.6
Total sources	73.3
Uses of cash:	
Repayment of long-term debt	(34.7)
Dividends paid	(6.7)
Acquisition	(10.0)
Net property, plant and equipment additions	(15.4)
Other assets	(7.9)
Total usage	(74.7)
Increase in bank indebtedness	(1.4)
Bank indebtedness, end of year	$ (1.9)

The funds from operations of $70.0 million, which compares favourably to the $52.1 million in 2003 were supplemented by proceeds of $2.7 million from the issuance of common shares, which relates to the exercise of 132,616 stock options and the issuance of 22,500 shares as a result of a private placement to entice a senior executive to join the Company in 2004. In addition, the proceeds from an equity investee and from a sale of investments relate to a management fee received from MDIOS and the redemption of certain shares of Payne, an equity investment of the Company.

During the year the Company's long-term debt decreased by $34.4 million. The decrease was due to a repayment of $34.7 million, which was partially offset by the assumption of $0.3 million of long-term debt with the NUS acquisition, resulting in the net decrease of $34.4 million of long-term debt. The Company also continued its dividend payments, which were increased to $0.50 per share

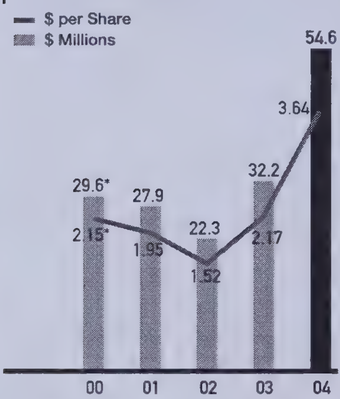
FUNDS FROM OPERATIONS



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

DISCRETIONARY FUNDS FROM OPERATIONS

(Continuing Operations)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

from $0.40 in 2003. This resulted in actual dividend payments of $6.7 million in 2004, up from $5.9 million in 2003. The acquisition of NUS shares cost $10.0 million. Net fixed assets cost $15.4 million in 2004. Other assets of $7.9 million primarily relate to a $7.2 million loan to BOSS and a $0.5 million loan to Payne (see note 15 of 2004 Annuals).

During the year the Company renegotiated its term loan facility such that no repayments of principle are required on a predetermined basis. Overall the Company has a $40.0 million operating line of credit and a $75.0 million bank term loan line of credit for a total credit facility of $115.0 million.

Discretionary funds from operations or funds generated from operations after net PP&E expenditures, increased to $54.6 million or $3.64 per share, up substantially from $32.2 million or $2.17 per share in 2003. The increase is due to increased funds from operations and a $4.5 million decrease in net capital expenditures in 2004. Discretionary funds are available on an after-tax basis to repay debt, pay dividends, or to pay for future acquisitions.

The Company enters 2005 with substantial funding available, including $33.8 million of working capital and $74.0 million of unused lines of credit.

Long-Term Debt

A) Contractual Obligations

($ Millions)		Maximum Payments		
	Total	1 Year	2 – 3 Years	4 – 5 Years
	$	$	$	$
(1) Long-term debt	39.2	0.0	39.2	0.0
(2) Operating leases	10.9	3.6	5.9	1.4

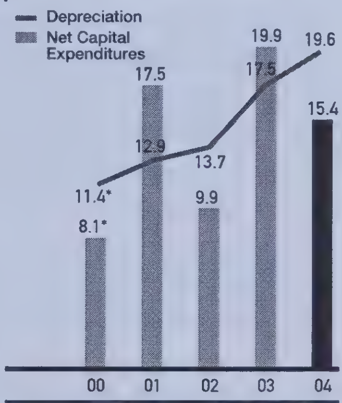
(1) The long-term debt repayment terms apply if the bank-term debt facility is not renewed in October 2005, at which time it will need to be repaid within two years from that date. The bank-term debt bears interest either at prime rate or at a Banker's Acceptance rate plus a 1.2 percent Stamping Fee.

(2) The majority of the operating leases are for trucks which have a three to four year term, at which time the Company can return the trucks to the lessor.

The Company started the year with $73.6 million of long-term debt and assumed $0.3 million of long-term debt with the NUS acquisition (see note 3 of the 2004 Annuals). During the year it repaid $34.7 million to exit 2004 with total long-term debt of $39.2 million. At year-end the Company's debt-to-equity ratio was 0.15:1, which is less than one half of the 0.33:1 ratio at the end of 2003. Note 8 of the 2004 Annuals provides additional information on the long-term debt.

NET CAPITAL EXPENDITURES

(Excluding Acquisitions) ($ Millions)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

Capital Expenditures (PP&E)

The Company had net capital expenditures of $15.4 million, excluding the corporate acquisition of NUS, which was $4.5 million less than in 2003. Gross expenditures of $20.5 million, which includes $3.5 million for land and buildings and $15.2 million for trucks, trailers, automobiles and shop equipment, were offset by $5.1 million of disposals. The $15.4 million of net capital expenditures were split among the Oilfield Services segment at $10.9 million, the Trucking segment at $1.3 million and $3.2 million in Other, which includes head office and non-segmented business. Over the course of a business cycle we expect net capital expenditures to equal depreciation in order to sustain the business. In the last five years total net capital expenditures were $70.8 million compared to total depreciation of $75.1 million. In 2004 the Company also acquired $6.6 million of PP&E when it purchased NUS. In addition, the Company loaned BOSS $7.2 million which was invested in mobile camps and other marine assets in northern Canada.

Acquisitions

During the year the Company acquired NUS for $11.9 million which included a cash payment of $10.0 million for the shares and an additional $1.9 million to pay existing liabilities to the shareholder (see note 3 of the 2004 Annuals). The cash was provided by utilizing the Company's existing term debt facility. NUS is a company which specializes in water management services, primarily the sale and rental of pumps, with an emphasis on servicing oil sands plants. This is a new type of service for the Company and its operating results are included in the Oilfield Services segment.

Shareholders' Equity

($ Thousands)

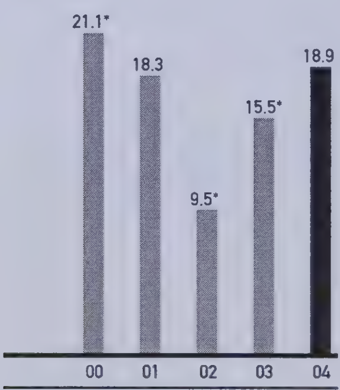
Share capital, beginning of year (restated)*	$ 65,120
Stock options exercised – cash	1,957
Shares issued – cash	775
Total cash proceeds	2,732
Fair value adjustment due to the stock-based compensation calculation	
– on stock options	536
– on shares issued	137
Share capital, end of year	$ 68,525

* *refer to not 6 on page 2 of this Management's Discussion and Analysis.*

Share capital (see note 10 of the 2004 Annuals) increased by $3.4 million. This reflects the issuance of 132,616 stock options at an average exercise price of $14.76 for proceeds of $2.0 million; the addition of $0.5 million for the adjustment of the fair value of the stock-based compensation calculation, and the issuance of 22,500 shares to an Officer of the Company for $0.8 million plus an additional $0.1 million of fair value adjustment. During the year the Company also granted 128,500 options at an average price of $41.86 and cancelled 45,684 options for a net increase of 82,816 options. Total options outstanding decreased to 543,700 from 593,500 in 2003. At December 31, 2004 there were 15,061,996 shares outstanding with an issue value of $68.5 million.

RETURN ON EQUITY

(%)



* refer to note 6 on page 2 of this Management's Discussion and Analysis.

Retained earnings increased by $39.0 million from the December 31, 2003 retained earnings, which were restated to reflect the retroactive adoption of the new Canadian accounting standards regarding stock-based compensation (see note 2 of the 2004 Annuals). The increase is due to the effect of $46.5 million of net income, less dividends of $7.5 million. The dividends in 2004 increased to $0.50 per share declared semi-annually at $0.25 per share.

Return on shareholders' equity increased to 18.9 percent from 15.5 percent in 2003. The increase was primarily due to increased earnings from operations. Net book value per share increased to $17.79 from $15.05.

Transactions with Related Parties

A summary of transactions with related parties is disclosed in note 15 of the 2004 Annuals. All transactions were undertaken in the normal course of business under the same terms as transactions with unrelated companies except for the $9.3 million loan to BOSS. During the year the Company increased its loan to BOSS from $2.1 million to $9.3 million. This loan is non-interest bearing and partially secured as the other equity owner also loaned the same amount to BOSS. BOSS used the funds to acquire marine assets and floating camps and to purchase a 50 percent interest in Arctic Oil and Gas Services Inc., a Northwest Territories company which owns land-based camps and provides camp services, camp support services and fuel storage facilities.

Critical Accounting Estimates

The Company has to make several critical accounting estimates as detailed below:

(1) Depreciation

The method of calculating depreciation expense, as noted in note 1(c) of the 2004 Annuals, is an estimate. The Company considers its method and rates of depreciation reasonably reflect the annual decline in the value of PP&E. These methods and rates used are validated by the fact that gains or losses on sale of PP&E over the last 10 years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time.

(2) Goodwill

On an annual basis, the Company assesses the goodwill for impairment. See note 1(e) of the 2004 Annuals. In 2004 the assessment determined there was no impairment of goodwill.

(3) Bad Debt Expense

The Company routinely reviews accounts receivables and sets up a reserve for bad debts on a customer-by-customer basis. This is an estimate as some of the reserved accounts may be collected whereas we may subsequently find that some accounts currently deemed collectible, become uncollectible. The Company considers the allowance of $0.8 million at the end of December 31, 2004 to be reasonable.

(4) Stock-based Compensation (see notes 1(h), 2(a), 9(c), 10 (c) and 11 of the 2004 Annuals).

On January 1, 2004 the Company adopted, on a retroactive basis, the new Canadian accounting standards that apply to the fair value method of all stock-based payments and awards. The adoption of the standard reduced net income in 2004 by $2.0 million or $0.13 per share and $1.1 million or $0.07 per share in 2003.

(5) Asset Retirement Obligations

The Company is required annually to calculate and record any asset retirement obligations. At this time the Company does not believe it has any asset retirement obligations of any significance.

(6) Disposal of Long-Lived Assets and Discontinued Operations

PP&E is believed to approximate fair market value at the year-end and at this time the Company does not believe that it would have any material losses on any subsequent disposals. The Company also has no plans to discontinue any operations at this time.

Financial Instruments

See note 16 of the 2004 Annuals. The Company does not have any other financial instruments other than those disclosed in notes 8 and 13 of the 2004 Annuals.

Business Risks

The Company is subject to certain economic risks, most important of which are a slowdown in the general economy or reduced oil and natural gas drilling, and lower capital investment activity. Any economic slowdown would tend to reduce corporate capital spending, which lowers the demand for industrial equipment, which the Company transports. Oil and natural gas drilling and related capital investment are directly related to the price of crude oil and natural gas. Any sharp decline in these prices could translate into less rig moving revenue, less heavy oil hauling and servicing, and postponements or cancellations of major capital projects, all of which would adversely affect our business. The Company is fully aware of the cyclical nature of the business and it manages this risk by diversifying operations and by utilizing the services of sub-contractors and owner operators, which require no capital investment by the Company. This strategy enables the Company to minimize fixed costs and to mitigate the risks associated with economic downturns.

The Company also has risk of increased interest rates. At December 31, 2004 it had $39.1 million of bank-term debt financed at floating rates. While these rates are below what would be paid at fixed rates, there is a risk of interest rates rising. The short-term expectation is that Canadian interest rates will either decline or stay constant. The Company also expects to be able to generate enough cash from operations to repay its debt within two years assuming its free cash is used for that purpose.

The Company faces some foreign exchange risk if the Canadian dollar rises in value against the U.S. dollar, as we generate excess U.S. dollars. We reduced this risk with the closure of the Mill Creek U.S. subsidiary in 2003, and we have worked to better match U.S. dollar revenues with U.S. dollar expenses as we financed some new vehicle leases in U.S. dollars. In 2004 we estimated the strengthening of the Canadian dollar resulted in a $2.4 million loss of revenue in the Trucking segment.

The Company also has a risk of labour disruption as some of its business units have collective agreements with their employees. The Company believes it has positive working relationships with the employees of those business units as well as with all its other employees.

Due to the nature of its operations and business, the Company is subject to lawsuits for accidents and for cargo claims. This risk is mitigated by carrying insurance with relatively low deductibles; maintaining strong safety programs; effective recruiting procedures, and requiring sub-contractors to carry adequate insurance.

Outlook

The year 2004 was a successful year for the Company with revenue and net income reaching record levels, reflecting the continued growth of the Oilfield Services segment. Oil and natural gas prices have remained near historic highs, resulting in record oil and gas drilling, heavy oil production, as well as the continuation of major capital projects in Alberta. These factors have positively affected our businesses. The Cora Lynn acquisition, completed in October 2003, met the Company's expectations in 2004 and the acquisition of NUS in October 2004 will provide a smaller, but new source of business in 2005. Projections from industry analysts suggest that oil and gas prices will remain high in 2005, leading to record drilling activity. As a result, we expect our Oilfield Services segment will have another strong year.

The Trucking segment had a small revenue decline in 2004, due to the shutdown of its Mill Creek U.S. based operation in March, 2003 and due to the increased strength of the Canadian dollar against the U.S. dollar which resulted in lower Canadian dollar-equivalent revenue and negatively impacted margins. However, the impact was offset by cost savings in other areas and the inclusion of $0.5 million of excise fuel tax rebate which helped to improve margins. The overall Canadian economy is expected to grow in 2005 which should provide the Company with the opportunity to improve margins in the Trucking segment.

The Company also benefited from the last scheduled federal income tax rate reduction and from an unscheduled Alberta corporate tax rate reduction. This was partially offset by an Ontario corporate tax rate increase. In 2005, we do not plan for any benefit from tax rate reductions.

The Company remains conservatively financed with a debt-to-equity ratio of 0.15:1 at year-end and $33.8 million of working capital. In addition, the Company has $115.0 million lines of credit, of which only $41.0 million had been used at year-end 2004. This provides the Company with a high degree of flexibility and should allow the Company to increase its capital expenditures, return cash to shareholders, and/or to acquire complementary or competing businesses in the future. As such, we are quite optimistic about the opportunities for 2005 given the high commodity prices and potential for economic growth.

Fourth Quarter Results

Summary

	Three Months Ended December 31		
	(Unaudited)		
	2004	2003* (restated)	Change
($ Millions, except per share)	$	$	%
Revenue	**120.0**	110.3	8.8
Operating income	**23.0**	18.9	21.7
Net income	**11.5**	8.0	43.8
Earnings per share – basic	**0.76**	0.53	43.4
Funds from operations	**14.2**	15.2	(6.6)
Funds from operations per share	**0.94**	1.02	(7.8)

* *refer to not 6 on page 2 of this Management's Discussion and Analysis.*

The major event in the fourth quarter was the acquisition of Northern Underwater Systems (NUS) Ltd. for $11.9 million which included a cash payment of $10.0 million for the shares and an additional $1.9 million to pay existing liabilities to the shareholder (see note 3 of the 2004 Annuals). The cash was provided by utilizing the Company's existing term debt facility.

For the three months ended December 31, 2004, the Company had consolidated revenue of $120.0 million compared to $110.3 million in 2003, an improvement of $9.7 million or 8.8 percent. The increase is attributable to both business segments. Revenue in the Trucking segment increased by $4.2 million or 10.8 percent and the Oilfield Services segment increased by $6.2 million or 8.7 percent. Consolidated operating income increased by $4.1 million or 21.7 percent to $23.0 million, from $18.9 million in 2003. Net income increased by $3.5 million or 43.8 percent to $11.5 million, from $8.0 million in 2003.

The improved results reflect the effect of the NUS acquisition and the high demand for the Company's services due to a strong Alberta economy, high levels of activity in the oil and natural gas drilling and continued strong capital investment in Alberta's oil sands projects.

Segmented Information

	Three Months Ended December 31 (Unaudited) 2004	2003 (restated)	Change
($ Millions)	$	$	%
Revenue			
Oilfield Services	**77.8**	71.6	8.7
Trucking	**43.1**	38.9	10.8
Other	**0.1**	–	
Intersegment eliminations			
Oilfield services	**(0.8)**	(0.2)	
Trucking	**(0.2)**	–	
Totals	**120.0**	110.3	8.8
Operating income			
Oilfield services	**16.5**	14.0	17.9
Trucking	**6.2**	4.9	26.5
Other	**0.3**	–	
Totals	**23.0**	18.9	21.7

Segmented Results

Oilfield Services Segment

The Oilfield Services segment had an increase in revenue to $77.8 million from $71.6 million, a $6.2 million or 8.7 percent increase. The increase was generated by a combination of higher rig moving activity reflecting increased oil and gas drilling, increased core drilling due to three months of revenue versus two months in 2003, and from the inclusion of NUS, acquired on October 1, 2004.

Operating income increased by 17.9 percent to $16.5 million from $14.0 million in 2003, with the operating margin at 21.2 percent versus 19.6 percent in 2003. The improved margin was mainly due to higher margins on revenue earned by contractors and to improved pricing.

Trucking Segment

This segment's revenue increased to $43.1 million, a $4.2 million or 10.8 percent increase from the $38.9 million in 2003. The $4.2 million increase was generated by improved revenue in all business units except Mill Creek. The other businesses all increased revenue due to the strong Alberta economy and a high level of activity in the oil and gas industry. Mill Creek's revenue declined by $0.5 million, as the strong Canadian dollar reduced the Canadian equivalent of U.S. dollar sales.

Operating income increased by $1.3 million to $6.2 million from $4.9 million in 2003. All the business units increased their operating income in 2004, reflecting the benefit of increased revenue and better cost controls with contracting costs and repair and maintenance costs declining as a percent of revenue in the quarter. This resulted in an operating margin of 14.4 percent as compared to 12.6 percent in 2003.

February 23, 2005

Mullen

TRANSPORTATION INC.

2004 CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements of Mullen Transportation Inc. have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with these consolidated financial statements. In preparing this report, the Company undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- The Board of Directors and management have established corporate governance practices that are consistent with guidelines set out in the report issued by The Toronto Stock Exchange Committee on Corporate Governance in Canada.
- Management maintains accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.
- The Board of Directors oversees the management of the business and the affairs for the Company including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of three members considered to be "outside and unrelated" directors, has reviewed the consolidated financial statements with management and the external auditors.
- An independent firm of chartered accountants, appointed as external auditors by the shareholders, has audited the consolidated financial statements and its report is included below.

Murray K. Mullen
Chairman and Co-Chief Executive Officer
February 23, 2005

David E. Olson
Vice-President, Finance and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Mullen Transportation Inc. as at December 31, 2004 and 2003 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants
Calgary, Canada
February 23, 2005

CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2003

(in thousands of dollars)	2004	2003 (restated – note 2)
Assets		
Current assets:		
Accounts receivable	$ 78,187	$ 77,878
Prepaid expenses	11,650	9,660
	89,837	87,538
Investments (note 4)	8,539	8,296
Property, plant and equipment (note 5)	189,436	187,801
Goodwill	101,085	94,111
Other assets (note 6)	11,812	3,897
	$ 400,709	$ 381,643
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	$ 1,907	$ 545
Accounts payable and accrued liabilities	47,300	41,063
Income taxes payable	3,061	4,606
Dividends payable	3,765	2,981
Current portion of long-term debt (note 8)	34	318
	56,067	49,513
Long-term debt (note 8)	39,142	73,266
Future income taxes (note 9)	37,525	34,531
Shareholders' equity:		
Share capital (note 10)	68,525	65,120
Contributed surplus (note 11)	2,618	1,336
Retained earnings	196,832	157,877
	267,975	224,333
Commitments and contingencies (note 13)		
	$ 400,709	$ 381,643

See accompanying notes to consolidated financial statements.

Approved by the Directors:

Director

Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2004 and 2003

(in thousands of dollars, except per share amounts)	2004	2003
		(restated – note 2)
Revenue	$ 470,860	$ 421,504
Expenses:		
Direct operating	328,853	305,060
Selling and administrative	49,932	45,294
Operating income	92,075	71,150
Depreciation and amortization	19,871	17,819
Interest on long-term debt	1,865	1,504
Other interest	157	386
Loss (gain) on sale of property, plant and equipment	749	(92)
Gain on sale of investments	–	(304)
Income before income taxes and earnings from equity investments	69,433	51,837
Provision for income taxes (note 9):		
Current	22,041	18,229
Future	1,735	1,520
	23,776	19,749
Income before earnings from equity investments	45,657	32,088
Earnings from equity investments	820	332
Net income	$ 46,477	$ 32,420
Earnings per share (note 12):		
Basic	$ 3.10	$ 2.18
Diluted	$ 3.07	$ 2.16
Weighted average number of shares outstanding:		
Basic	15,008	14,853
Diluted	15,140	15,035

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 2004 and 2003

(in thousands of dollars)	2004	2003
		(restated – note 2)
Retained earnings, beginning of year as previously reported	**$ 159,938**	$ 132,387
Adjustment to reflect changes in accounting policy for stock-based compensation (note 2)	**(2,061)**	(976)
Retained earnings, beginning of year as restated	**157,877**	131,411
Net income	**46,477**	32,420
Dividends	**(7,522)**	(5,954)
Retained earnings, end of year	**$ 196,832**	$ 157,877

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2004 and 2003

(in thousands of dollars)	2004	2003
		(restated – note 2)
Cash provided by (used in):		
Operations:		
Net income	$ 46,477	$ 32,420
Items not involving cash:		
Stock-based compensation (note 10)	1,955	1,085
Depreciation and amortization	19,871	17,819
Loss (gain) on sale of property, plant and equipment	749	(92)
Gain on sale of investments	–	(304)
Future income taxes	1,735	1,520
Earnings from equity investments	(820)	(332)
Funds provided from operations	69,967	52,116
Changes in non-cash working capital items	36	1,680
	70,003	53,796
Financing activities:		
Change in bank indebtedness	1,304	(8,185)
Repayment of long-term debt	(34,650)	(21,669)
Proceeds of long-term debt	–	59,510
Proceeds of common share issues	2,732	2,311
Dividends paid	(6,738)	(5,928)
	(37,352)	26,039
Investing activities:		
Acquisitions (note 3)	(10,004)	(60,956)
Property, plant and equipment additions	(20,479)	(29,841)
Proceeds on sale of property, plant and equipment	5,125	9,915
Cash distribution from equity investee	117	317
Proceeds on sale of investments	500	2,498
Other assets	(7,910)	(1,768)
	(32,651)	(79,835)
Change in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	$ –	$ –
Supplemental cash flow information:		
Interest paid	$ 2,022	$ 1,890
Income taxes paid	$ 23,725	$ 9,236

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003

(Tabular amounts stated in thousands of dollars except per share amounts)

Mullen Transportation Inc. is a diversified transportation and oilfield service company with its activities divided into two distinct business segments: Oilfield Services and Trucking.

1. Significant Accounting Policies:

The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(a) *Basis of presentation:*

The consolidated financial statements include the accounts of Mullen Transportation Inc. (the "Company") and its subsidiaries and partnerships, all of which are wholly-owned.

(b) *Investments:*

Investments in affiliates over which the Company has significant influence are accounted for using the equity method. Portfolio investments are carried at lower of cost or market value. If management determines there is a permanent decline in value in underlying assets and no expectation of future earnings, these investments are written down to net realizable value.

(c) *Property, plant and equipment and depreciation:*

Property, plant and equipment are recorded at cost. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is provided annually over the estimated useful lives of the assets on the declining balance basis at the following rates:

Assets	Rate
Buildings	2.5 - 8%
Trucks and trailers	10 - 20%
Equipment, furniture and fixtures	20%
Automobiles, computer equipment and computer software	30 - 50%
Satellite communications equipment	20%

Core drilling rigs are depreciated by the unit-of-production method based on 1,500 operating days with a 20 percent residual value.

1. Significant Accounting Policies (continued):

(d) Other assets and amortization:

Other assets include intangibles that are amortized on a straight-line basis over five years.

(e) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Company's reporting segments that are expected to benefit from the business combination.

Goodwill is not amortized, but is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of a reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. As a result of the current year's assessment no impairment loss has been recognized.

(f) Revenue recognition:

The Company's services are provided based upon orders and contracts with the customer that includes fixed or determinable prices based upon daily, hourly or job rates. Contract terms do not include provision for post-service obligations. Revenue is recognized when services are rendered and when collectability is reasonably assured.

(g) Income taxes:

The Company follows the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Company's provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

(h) Stock-based compensation plan:

The Company has a stock-based compensation plan, which is described in note 10(c). The Company utilizes the fair value method to account for stock options issued subsequent to January 1, 2002. Under the fair value method, the fair value of stock options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus. When options are exercised, the proceeds received by the Company, along with the amount in contributed surplus, will be credited to share capital.

(i) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury stock method which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average market prices during the period. The weighted average number of shares outstanding is then adjusted by the net change.

2. Accounting Changes:

(a) Stock-based compensation:

Effective January 1, 2004, the Company adopted new Canadian accounting standards regarding stock-based compensation as described in note 1(h). The Company has retroactively applied this standard, with restatement of prior years, to all stock options granted since January 1, 2002. The adoption has resulted in a charge to net income of $2.0 million or $0.13 per share (2003 – $1.1 million or $0.07 per share) and a reduction to opening retained earnings of $2.1 million at January 1, 2004 ($1.0 million at January 1, 2003).

(b) Asset retirement obligations:

Effective January 1, 2004, the Company adopted new Canadian accounting standards regarding asset retirement obligations. Under the new standard, the Company is required to calculate and record any asset retirement obligations. It has been determined that the Company does not have any asset retirement obligations.

(Tabular amounts stated in thousands of dollars except per share amounts)

3. Acquisitions:

(a) On October 1, 2004, the Company acquired all issued and outstanding shares of Northern Underwater Systems (NUS) Ltd., a private specialized services company, which is included in the Oilfield Services segment, for net consideration of $10,004,000. This acquisition has been accounted for by the purchase method, and results of operations have been included in these financial statements from the date of acquisition. Details of the acquisition are as follows:

2004	
Assets:	
Non-cash working capital items	$ (425)
Property, plant and equipment	6,606
Intangibles	300
Goodwill	6,974
	13,455
Assumed liabilities:	
Amounts payable to shareholder	1,892
Long-term debt	242
Future income taxes	1,259
	3,393
Net assets before cash position	10,062
Cash position	(58)
	10,004
Cash consideration	$ 10,004

(Tabular amounts stated in thousands of dollars except per share amounts)

3. Acquisitions (continued):

(b) During the year ended December 31, 2003, the Company acquired the businesses and certain assets of three privately held corporations engaged in oilfield servicing for net consideration of $60,956,000 (gross cash paid less cash position of the entity acquired). The most significant acquisition occurred on October 29, 2003 when the Company acquired the shares of Cora Lynn Drilling Co. Ltd. ("Cora Lynn") for net cash consideration of $56,526,000. The acquisitions were accounted for by the purchase method and the results of operations from the acquisition dates have been included in these consolidated financial statements. Details of the acquisitions are as follows:

2003	Cora Lynn	Other	Total
Assets:			
Non-cash working capital items	$ (1,330)	$ 65	$ (1,265)
Property, plant and equipment	33,054	3,096	36,150
Goodwill	34,827	1,269	36,096
	66,551	4,430	70,981
Assumed liabilities:			
Long-term debt	5,237	–	5,237
Future income taxes	4,660	–	4,660
	9,897	–	9,897
Net assets before cash position	56,654	4,430	61,084
Cash position	(128)	–	(128)
	56,526	4,430	60,956
Cash consideration	$ 56,526	$ 4,430	$ 60,956

4. Investments:

	2004	2003
Portfolio investments, at cost	**$ 1,376**	$ 1,376
Investments accounted for by the equity method	**7,163**	6,920
	$ 8,539	$ 8,296
Market value of portfolio investments	**$ 1,922**	$ 1,565

(Tabular amounts stated in thousands of dollars except per share amounts)

5. Property, Plant and Equipment:

2004	Cost	Accumulated depreciation	Net book value
Land	$ 8,531	$ –	$ 8,531
Buildings	22,445	5,663	16,782
Trucks and trailers	186,706	67,432	119,274
Core drilling rigs	24,212	1,171	23,041
Equipment, furniture and fixtures	25,121	10,734	14,387
Automobiles, computer equipment and computer software	15,434	9,565	5,869
Satellite communications equipment	5,007	3,455	1,552
	$ 287,456	$ 98,020	$ 189,436

2003	Cost	Accumulated depreciation	Net book value
Land	$ 5,419	$ –	$ 5,419
Buildings	21,479	5,047	16,432
Trucks and trailers	185,516	60,939	124,577
Core drilling rigs	23,974	74	23,900
Equipment, furniture and fixtures	17,426	6,980	10,446
Automobiles, computer equipment and computer software	14,200	8,208	5,992
Satellite communications equipment	4,249	3,214	1,035
	$ 272,263	$ 84,462	$ 187,801

6. Other Assets:

Other assets are comprised of intangibles, amounts due from related parties and other as follows:

	2004	2003
Intangible	$ 1,774	$ 1,474
Less: accumulated amortization	(1,124)	(829)
	650	645
Due from related parties (note 15):		
Non-interest bearing, secured loan, repayable on demand	4,000	–
Non-interest bearing, unsecured loan, repayable on demand	5,300	2,100
Interest bearing, secured loan, repayable on demand	500	–
	9,800	2,100
Other	1,362	1,152
	$ 11,812	$ 3,897

(Tabular amounts stated in thousands of dollars except per share amounts)

7. Bank Indebtedness:

The Company has a $40.0 million revolving demand facility, which would bear interest at the bank's prime rate, or at bankers' acceptance rate plus a prime acceptance stamping fee of 1.0 percent per annum if utilized. This demand facility is secured by limited guarantees of $41.2 million from specific subsidiaries, which are supported by general security agreements on accounts receivables.

8. Long-Term Debt:

	2004	2003
Bank term debt	**$ 39,142**	$ 73,230
Various financing loans with rates at 2.9% with monthly blended principal and interest payments not exceeding $8,444. These loans are secured by specific items of operating equipment	**34**	354
	39,176	73,584
Less: current portion	**34**	318
	$ 39,142	$ 73,266

The Company's bank term debt is a $75 million extendible revolving 364-day term facility convertible to a two year reducing facility. If the loan is not renewed on October 28, 2005, it converts to a two year reducing term facility payable in three equal semi-annual instalments commencing on October 28, 2006. Interest is at bank prime rate or at bankers' acceptance rate, plus a prime acceptance fee of 1.2 percent per annum. This facility is secured by limited guarantees of $76.2 million from specific subsidiaries of the Company. The guarantees are supported by general security agreements on those subsidiaries' assets.

Aggregate principal repayments of long-term debt are as follows:

	2004
2005	**$ 34**
2006	**13,122**
2007	**26,020**
	$ 39,176

(Tabular amounts stated in thousands of dollars except per share amounts)

9. Income Taxes:

The provision for income taxes differs from the amounts which would be obtained by applying the expected Canadian statutory income tax rates as follows:

	2004	2003
Income before income taxes and earnings from equity investments	$ 69,433	$ 51,837
Income tax rate	35%	37%
Computed expected income tax expense	24,302	19,180
Increase (reduction) of future tax balances due to substantively enacted income tax rate changes	(850)	125
Other	324	444
Provision for income taxes	$ 23,776	$ 19,749

In 2004 and 2003, the Government of Alberta enacted a tax rate reduction of 1.0 percent and 0.5 percent respectively. In 2003, the Government of Ontario enacted a tax rate increase of 1.5 percent effective January 1, 2004 and repealed reductions for subsequent years. The effect of the income tax changes on the Company's future income tax balances has been reflected by changes of future income tax expense in 2004 and 2003.

The future income tax liability results from the difference between the carrying value of property, plant and equipment and their related tax value, at year-end substantively enacted rates and the Company's share of partnership income taxable in future periods. The future income tax liability is comprised of the following:

	2004	2003
Property, plant and equipment	$ 33,155	$ 31,261
Partnership income	4,370	3,270
Future income tax liability	$ 37,525	$ 34,531

(Tabular amounts stated in thousands of dollars except per share amounts)

10. Share Capital:

(a) Authorized:

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no par value

(b) Issued:

	Common shares	Amount
Balance at December 31, 2002, as previously reported	14,774,747	$ 62,084
Transfer from contributed surplus	–	294
Balance at December 31, 2002, restated	14,774,747	62,378
Issued under stock option plan	132,133	2,311
Transfer from contributed surplus	–	431
Balance at December 31, 2003	14,906,880	$ 65,120
Issued under stock option plan	132,616	2,493
Shares issued	22,500	912
Balance at December 31, 2004	**15,061,996**	**$ 68,525**

(c) Stock-based compensation plan:

As at December 31, 2004 there are stock options outstanding to purchase 543,700 (2003 – 593,500) common shares with prices ranging from $5.20 to $41.75 per share with expiry dates ranging from December 31, 2005 to September 27, 2014.

Under the Company Stock Option Plan ("the Plan"), the Company may grant additional options to its employees and directors for 135,534 shares of common stock which have been reserved for this purpose. Under the Plan, the exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is ten years. Options may be granted throughout the year and vest over periods ranging up to five years under the Plan.

All stock options are granted at the market price at the date of the grant. In 2004, the Company granted 128,500 options ranging in prices from $41.00 to $44.00. In 2003, the Company granted 137,000 options ranging in prices from $30.00 to $34.25. The per share weighted average fair value of stock options granted in 2004 has been estimated at $25.11 (2003 – $16.52) using the Black-Scholes option pricing model. The following weighted average assumptions were used to determine the fair value of options on date of grant:

(Tabular amounts stated in thousands of dollars except per share amounts)

10. Share Capital (continued):

Weighted average assumptions	2004	2003
Risk free interest rate	**3.60%**	3.95%
Expected life	**4.7 years**	3.2 years
Maximum life	**10.0 years**	10.0 years
Expected dividend	**$0.50 per share**	$0.40 per share
Expected share price volatility	**80%**	72%

	2004		2003	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	**593,500**	**$ 21.12**	609,333	$ 17.86
Granted	**128,500**	**41.86**	137,000	33.01
Exercised	**(132,616)**	**(14.76)**	(132,133)	(17.49)
Cancelled	**(45,684)**	**(34.04)**	(20,700)	(27.19)
Outstanding, end of year	**543,700**	**$ 26.49**	593,500	$ 21.12
Exercisable, end of year	**354,204**	**$ 20.91**	381,770	$ 16.53

The range of exercise prices for options outstanding at December 31, 2004 are as follows:

	Options outstanding			Exercisable options	
Range of exercise prices	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
$ 5.20 to 9.99	2,500	1.1	$ 5.30	2,500	$ 5.30
10.00 to 19.99	205,250	3.3	14.43	205,250	14.43
20.00 to 29.99	102,450	7.2	26.53	78,950	25.95
30.00 to 39.99	117,000	8.6	32.98	47,504	32.59
40.00 to 41.75	116,500	9.3	41.64	20,000	41.75
$ 5.20 to 41.75	543,700	6.5	$ 26.49	354,204	$ 20.91

Summary of stock-based compensation:

	2004	2003
Stock-based compensation plan	**$ 1,818**	$ 1,085
Stock issued at a discount from market price	**137**	–
	$ 1,955	$ 1,085

(Tabular amounts stated in thousands of dollars except per share amounts)

11. Contributed Surplus:

For stock options granted to employees and directors after January 1, 2002, the Company records compensation expense using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. When options are exercised, the fair value amount in contributed surplus is credited to share capital. Contributed surplus has been restated as indicated below:

Retroactive adoption of the fair value method on stock options grants (note2(a))	$ 976
Stock options exercised	(294)
	682
Stock-based compensation expense	1,085
Stock options exercised	(431)
Balance at December 31, 2003	$ 1,336
Stock-based compensation expense	1,818
Stock options exercised	(536)
Balance at December 31, 2004	**$ 2,618**

12. Per Share Amounts:

Basic per share amounts have been calculated on the weighted average number of common shares outstanding during the year. The weighted average shares outstanding for the year ended December 31, 2004 was 15,008,000 (2003 – 14,853,000).

Diluted per share amounts are calculated to reflect the dilutive effect of the exercise of the options outstanding. The diluted shares for the year ended December 31, 2004 was 15,140,000 (2003 – 15,035,000).

13. Commitments and Contingencies:

(a) Commitments:

The Company is committed to payments under operating leases for equipment and buildings to 2009. Annual minimum payments required subsequent to 2004 are as follows:

2005	$ 3,591
2006	3,327
2007	2,580
2008	1,062
2009	333

(Tabular amounts stated in thousands of dollars except per share amounts)

13. Commitments and Contingencies (continued):

(b) Contingencies:

The Company is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material effect upon the Company's financial positions, results of operations or cash flows.

14. Segmented Information:

The Company conducts its business through wholly-owned subsidiaries and partnerships which are categorized into two business segments. The Oilfield Services segment provides transportation and drilling services to the oil and gas industry which includes exploration and development companies and production and gas transmission companies. The Trucking segment provides both long haul and local transportation services to customers in various industries.

Amounts between different segments are not eliminated in reporting revenue and operating income by business segment. They are eliminated in reporting total consolidated revenue and operating income.

				Intersegment eliminations		
2004	Oilfield Services	Trucking	Other	Oilfield Services	Trucking	Total
Revenue	$ 309,545	$ 163,710	$ 102	$ (1,862)	$ (635)	$ 470,860
Operating income	69,708	23,464	(1,097)	–	–	92,075
Depreciation and amortization	15,242	4,382	247	–	–	19,871
Total assets	280,678	94,216	25,815	–	–	400,709
Capital expenditures(1)	13,192	5,105	3,127	(945)	–	20,479
Goodwill	83,209	17,876	–	–	–	101,085

				Intersegment eliminations		
2003	Oilfield Services	Trucking	Other	Oilfield Services	Trucking	Total
Revenue	$ 259,179	$ 165,057	$ 246	$ (2,641)	$ (337)	$ 421,504
Operating income	50,404	21,388	(642)*	–	–	71,150
Depreciation and amortization	12,574	4,961	284	–	–	17,819
Total assets	278,308	87,977	15,358	–	–	381,643
Capital expenditures(1)	18,080	11,671	197	(107)	–	29,841
Goodwill	76,235	17,876	–	–	–	94,111

(1) Excludes business acquisitions.

* *restated (see note 2)*

(Tabular amounts stated in thousands of dollars except per share amounts)

15. Related Party Transactions:

All transactions are provided in the normal course of business under the same terms and conditions as transactions with unrelated companies, except for the non-interest bearing $9.3 million loan to Beaufort Oilfield Support Services Ltd.

Nature of transaction	Nature of relationship	Amount of the transaction 2004	2003
Revenue:			
Transportation services	a, b, c	$ 10,028	$ 4,236
Management fees	a	117	317
Other revenue	a, b, c	230	163
Sale of property, plant and equipment	a, c	–	2,710
		$ 10,375	$ 7,426
Expenses:			
Transportation services	a	$ 918	$ 624
Other	a, b, c	187	233
		$ 1,105	$ 857

Balances as at December 31		2004	2003
Accounts receivable	a, b, c	$ 1,852	$ 1,203
Other assets (note 6)	a	9,800	2,100
Accounts payable	a, b, c	242	123

Nature of relationship:

a) Related by equity investment:

	Equity ownership
Beaufort Oilfield Support Services Ltd.	49%
Payne Transportation Inc.	45%
Mackenzie Delta Integrated Oilfield Services Inc.	39%

b) Related by common officer or director:

Producers Oilfield Services Ltd.

c) Private companies owned or controlled by officer or director.

16. Financial Instruments:

(a) *Fair values:*

The carrying values of bank indebtedness, accounts receivable, dividends payable, accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. The fair value of equity investments and other assets included in the consolidated balance sheet do not materially differ from their carrying values. The fair value of the long-term bank facility approximates its carrying value as it bears interest at floating rates.

(b) *Credit risk:*

The Company hauls a wide variety of freight for a broad customer base which spans numerous industries. Longer term contracts are with large, well established customers. During 2004, two customers in the Oilfield Services segment accounted for 15 percent and 10 percent of the Company's revenue. No other customer accounted for more than 10 percent of the Company's revenue. During 2003, one customer in the Oilfield Services segment accounted for 14 percent of the Company's revenue and no other customer accounted for more than 10 percent.

(c) *Foreign exchange rate fluctuation:*

The Company is exposed to foreign currency fluctuation in relation to its U.S. activity. Management believes this exposure is not material to its overall operations.

(d) *Interest rate risk:*

The Company manages its interest rate risk through a combination of fixed and floating rate borrowings. At December 31, 2004 the bank term debt was financed in floating rate terms.

CORPORATE INFORMATION

Directors and Officers

Murray K. Mullen
Chairman, Co-Chief Executive Officer and Director

Alan D. Archibald (1) (2)
Director

Lana R. Batts (1)
Director

Bruce W. Mullen
Senior Vice President and Director

David E. Mullen
Senior Vice President and Director

Francis M. Saville, Q.C. (2)
Director

Bruce W. Simpson (1)
Director

Stephen H. Lockwood
President and Co-Chief Executive Officer

David E. Olson
Vice President, Finance and Chief Financial Officer

Sharon L. Kaiser
Corporate Secretary

(1) Member of the Audit Committee

(2) Member of the Compensation, Nomination and Corporate Governance Committee

Head Office

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Facsimile: (403) 601-8301
Internet: www.mullen-trans.com
Email: IR@mullentransportation.com

Banker

The Royal Bank of Canada
Calgary, Alberta

Legal Counsel

Carscallen Lockwood LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Mullen Transportation Inc. will be held on May 2, 2005 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time).

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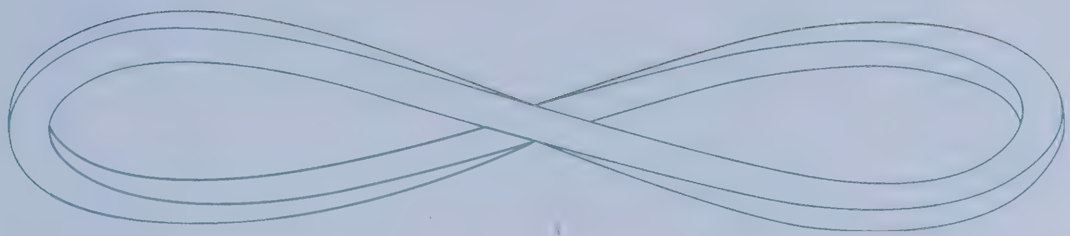


in-fin-i-ty (in-fin'ə-tē) *n., pl.* -ties.
1. the quality of being infinite.
2. unbounded or unlimited.

CHANGE IS INEVITABLE. OUR RESPONSE IS WHAT COUNTS.

GROWTH

Progressive companies continuously look for new growth opportunities. At Mullen we take pride in our ability to identify industry trends and to capitalize on new opportunities.

TECHNOLOGY

We use technology solutions to help our organization remain efficient, to provide useful real-time information to those that need to know and to enhance our image as a leading edge company.

FINANCIAL STRENGTH

Maintaining a strong balance sheet accompanied by an expectation of superior profit performance are the pillars of Mullen's success.

DIVERSIFIED SERVICES

Markets change, customers change and so must we. Our well developed business strategy provides our Company and our shareholders with a solid growth platform.

LETTER TO THE SHAREHOLDERS

It seems rather ironic that we have chosen the theme of this year's Annual Report to be *Evolving Strategies for Changing Markets*, particularly in light of the record performance of our Company in 2004. And while I would like to take this opportunity to celebrate, at least for a moment, the successes of past years, we are fully aware that living in the past for too long can be dangerous. As such, the majority of this year's annual message to shareholders will focus on the changes and the opportunities we see in the marketplace.

Before we turn to the future, let's revisit what I can only describe as a wonderful 2004. As you can see from the results contained in the table on page 3, last year was very special. Mullen achieved record revenues, operating income, net income, earnings per share, shareholders' equity and share price. This was primarily due to the excellent market conditions in both segments of the economy Mullen serves – the oil and natural gas industry in western Canada and the trucking industry.

I would be remiss, however, if I did not mention the excellent performance of our business units. The management teams, as well as our loyal and dedicated employees, executed the business plan. They capitalized on the strong economic environment to generate the 2004 record results. I am, as you should be, proud of their performance. There were long days and many challenges as well as frustrations throughout the year. But the team responded accordingly. As such, I am delighted to report that the majority of our employees will share in a record employee profit share pool of $10 million. In the Mullen organization our employees share in the success of the Company.

Opportunity For Tomorrow's Successes

We are now entering our 55th year in business. I believe that one of the greatest attributes that has contributed to our long history and our continued success is our ability to adapt to changes in the market. We are always on the lookout for new opportunities, choosing not to dwell on the past regardless of whether the previous outcomes were positive or negative. Although we may have misgivings about a few of our past decisions, our overall results confirm both our strategic analysis and our ability to execute. Our record performance in 2004 is offered as evidence. As we set our sights on the future, I am optimistic that we can leverage our past successes to produce even better results going forward.

One of the reasons I am so optimistic is that the senior management team at Mullen has been strengthened significantly with the addition of Stephen Lockwood. Steve officially joined Mullen in September 2004 as President and Co-CEO. You may recall that I held the position of Chairman, President and CEO for many years. However, I realized it was necessary to change my role for Mullen to continue its winning ways. As you get to know Steve, I am quite confident that you will see why I am willing to share the CEO role. He is dedicated, very intelligent and brings a renewed level of energy to our senior management team and to the entire Mullen organization. There is no doubt that his presence makes the team stronger.

Another reason fueling my optimism these days is the overall business climate. The economy is growing, employment continues to rise and the energy industry looks as dynamic as ever, driven by higher prices for both crude oil and natural gas. Could it be that there is a new paradigm shift, or put another way – a paradigm change? Are we seeing a growing economy accompanied by higher

"2004 was the most successful year in our history. And the most satisfying part is that our record financial performance was equaled by our safety initiatives."

Murray K. Mullen
Chairman and Co-CEO

SELECTED ANNUAL INFORMATION

Year ended December 31

($ millions except per share amounts)	2004	2003*	2002*
Revenue	$ 470.9	$ 421.5	$ 302.5
Net income	46.5	32.4	17.7
Earnings per share – basic	3.10	2.18	1.21
– diluted	3.07	2.16	1.18
Funds from operations	70.0	52.1	32.2
– per share	4.66	3.51	2.20
Total assets	400.7	381.6	294.5
Total long-term debt	39.2	73.6	30.5
Cash dividends declared per share	0.50	0.40	0.40

** Amounts or percentages for years 2003 and 2002 ("restated") are restated to reflect the retroactive adoption of the new Canadian accounting standards that apply to the fair value method of all stock-based payments and awards.*

"With a sizeable business leveraged to the oil and natural gas sector, as well as a strong presence in the trucking industry which appears to be getting stronger every quarter, Mullen is well positioned to generate significant results for our shareholders."

commodity prices? There was a time when higher oil prices led to an economic slowdown and occasionally economic recessions. Today, however, it appears that the economy is weathering higher oil and natural gas prices rather well. Who would have envisioned such a scenario? Once again it proves a very important point – change is inevitable and the future will rewrite a new set of rules that few, if any, can predict.

I have no better insight into the future than the next person, but this I know – if the economy continues its winning ways and commodity prices stay at or near current levels, our business model looks very attractive. With a sizeable business leveraged to the oil and natural gas sector, as well as a strong presence in the trucking industry which appears to be getting stronger every quarter, Mullen is well positioned to generate significant results for our shareholders.

But this potential new economic paradigm is also causing me some concern as it may impact our ability to continue our acquisition strategy, particularly in the Oilfield Services segment of our business. Long-term holders of our stock will recall that one of Mullen's growth strategies was predicated on our ability to acquire profitable, well-run companies at valuations that met strict return-on-invested-capital criteria. In 1999 we developed a strategic plan predicated upon the belief that North America's supply of crude oil and natural gas would not be sufficient to fuel a growing economy. Based upon this analysis we allocated both the capital and human resources of the Company to expand the Oilfield Services segment of our business, acquiring eleven oilfield service companies. Today we are fortunate to be benefitting from these decisions. However, we now have a new problem to deal with.

Entrepreneurs seeking to monetize their investment in their private companies are being offered enormous amounts of money primarily because there is a lot of money in the system today. This money is looking for investment opportunities and entrepreneurs are benefitting handsomely in this cycle. I'm not sure how long this phenomenon will last, but for now valuations may prohibit Mullen from growing at historical rates. As such, if we are not going to utilize our cash flow for acquisitions in the oilfield services part of our business, at least for the time being, what should we do with the substantial annual free cash Mullen generates?

At Mullen we have always been mindful of what is best for our stockholders and today is no different. In the capital markets, at least in Canada, it appears that the income (business) trust model has gained mainstream acceptance, (just another example of a paradigm shift). More than $100 billion in capital has been allocated to the sector, an amount that is growing every day as investors look for both yield and sustainable cash distributions. As I write this year's message, we are undertaking a comprehensive analysis of the trust capital structure to ascertain if it is in the best interests of our stockholders. Generally speaking, it appears that the market believes Mullen would be a good trust candidate. We saw evidence of this following our January 7, 2005 announcement to consider trust conversion. Mullen shares have risen quite nicely from the pre-announced value of $48.00. I expect that we will have the

In 2005 Mullen will consider converting into an income trust. Under this type of capital structure, the pre-tax income earned by the Company is generally distributed to the unitholders (shareholders).

appropriate tax and legal advice available for review prior to this year's annual meeting of shareholders in May. At that time, our Board will update the shareholders as to the status of their strategic review of the alternatives available to Mullen, including their view as to whether the trust model is the best corporate structure for Mullen and its shareholders. These are definitely exciting and busy times. Stay tuned.

Closing Remarks

Identifying the appropriate capital and corporate structure for our organization will be dealt with in 2005. But we also have much to do every day to ensure that we operate the very best business we can. This means that management must remain focused on the very things that actually make us successful – meeting our customers' needs and creating a quality work environment for our employees and contractors. At Mullen we are equally committed to both because we believe that providing excellent service to our customers can only be attained if our people have the appropriate equipment, training and the right reasons to want to be successful. As the saying goes, "companies do not provide customer service – people do". Now, more than ever, people have choices as to where they are going to work. In 2005 we will have to be creative if we are to attract and keep the best in the business.

Today our senior management team has both the time and the opportunity to focus on the needs of our people. In addition, we will be more focused on internal growth opportunities and will be allocating a record $30 million in capital for new facilities, equipment and technology. These funds will support both our internal growth plans as well as positive opportunities for our people. This capital commitment for 2005 represents an increase of 50 percent over the annual sustainable capital requirements of our organization and is a strong indicator of our positive outlook for the future. It should also leave our Company virtually debt-free by the end of 2005, assuming we are unable to complete any additional growth initiatives. This is an enviable position for any company but even more so for companies considering the income trust model.

These are simply the best of times and at Mullen Transportation we will take nothing for granted. We will continue to work hard for our shareholders, but also with the best interests of our people as a guiding principle. To me this is the perfect win-win scenario.

Once again I would like to thank our shareholders for entrusting your investment dollars to us and to our many customers who use our services every day. Most of all, I thank our 2,300 employees and owner-operators. Working with you to achieve our goals makes it all worthwhile.

On behalf of your Board of Directors,

Murray K. Mullen
Chairman and Co-Chief Executive Officer
March 14, 2005

OPERATIONS REVIEW – PRESIDENT'S MESSAGE

The theme of this year's annual report is *Evolving Strategies for Changing Markets* and this very much describes my own personal situation. After practicing law for more than 20 years and acting as corporate counsel to Mullen for more than 15 years, I have made a dramatic career change. I couldn't be more excited about being involved with the Mullen group and would like to take this opportunity to thank the Board of Directors and the Mullen family for their support.

I interact a great deal on a daily basis with our head office team and would like to thank them for making me so welcome, and for making my transition from private practice to the business world so easy. At head office our team consists of the Finance and Accounting Group headed by David Olson; the Corporate Services Group led by Sharon Kaiser; the Human Relations Group under Cathy Delay; the IT Group led by Tammy Little and Char Fisher; the Operations Group headed by Norm Shupe and the Safety and Loss Prevention Group headed by Richard Maloney. Each of these groups has been assisting me greatly in gaining an understanding of how the Mullen organization operates and in answering my many questions.

Although I have only been at Mullen for a short time there are three characteristics of the Mullen group I observe on a daily basis. First, the quality and character of the leadership team is exemplary. The head office group provides exceptional services to each of the operating businesses in a seamless and non-confrontational way. The leadership provided at the business unit level is professional and consistent with the corporate objectives established by head office.

Secondly, the overall job environment enjoyed by our employees has created a motivated and committed workforce. There will always be issues or concerns, but overall the level of job satisfaction seems very high.

Finally, without exception each of the business units is focused on and strives to achieve "Total Customer Satisfaction". There will always be issues that arise whether it be related to service or pricing, but I have been very impressed by the business units' commitment to continuous improvement.

From an operational perspective we are very pleased with the results achieved by both the Oilfield Services segment and the Trucking segment in 2004. The Oilfield Services segment achieved record revenues and profitability in 2004. The Trucking segment achieved a record level of operating income, despite the completion of a multi-year project by Mullen Trucking Inc. - Truckload for Syncrude in early 2004 and the decision to close our U.S. based Mill Creek operations. The segment's achievement was very commendable, especially in light of the slow growth in the Canadian economy.

As we enter 2005 I am very excited about Mullen's prospects. We are in the process of reviewing strategic alternatives, including the possibility of converting to a business trust, and expect to be in a position to provide an updated report to our shareholders at the annual shareholders' meeting scheduled for May 2, 2005. On the organizational front, I expect that 2005 will provide us with an opportunity to examine each of our business units with a view to capitalizing on their synergies to the greatest extent possible.

FROM LEFT TO RIGHT: CATHY DELAY, Director of Human Resources, RICHARD MALONEY, Vice President, Safety and Loss Prevention, CHAR FISHER, Director of Information Systems–South, STEPHEN H. LOCKWOOD, President and Co-Chief Executive Officer, NORM SHUPE, Vice President, Operations, SHARON KAISER, Corporate Secretary, TAMMY WOOD LITTLE, Director of Information Systems–North

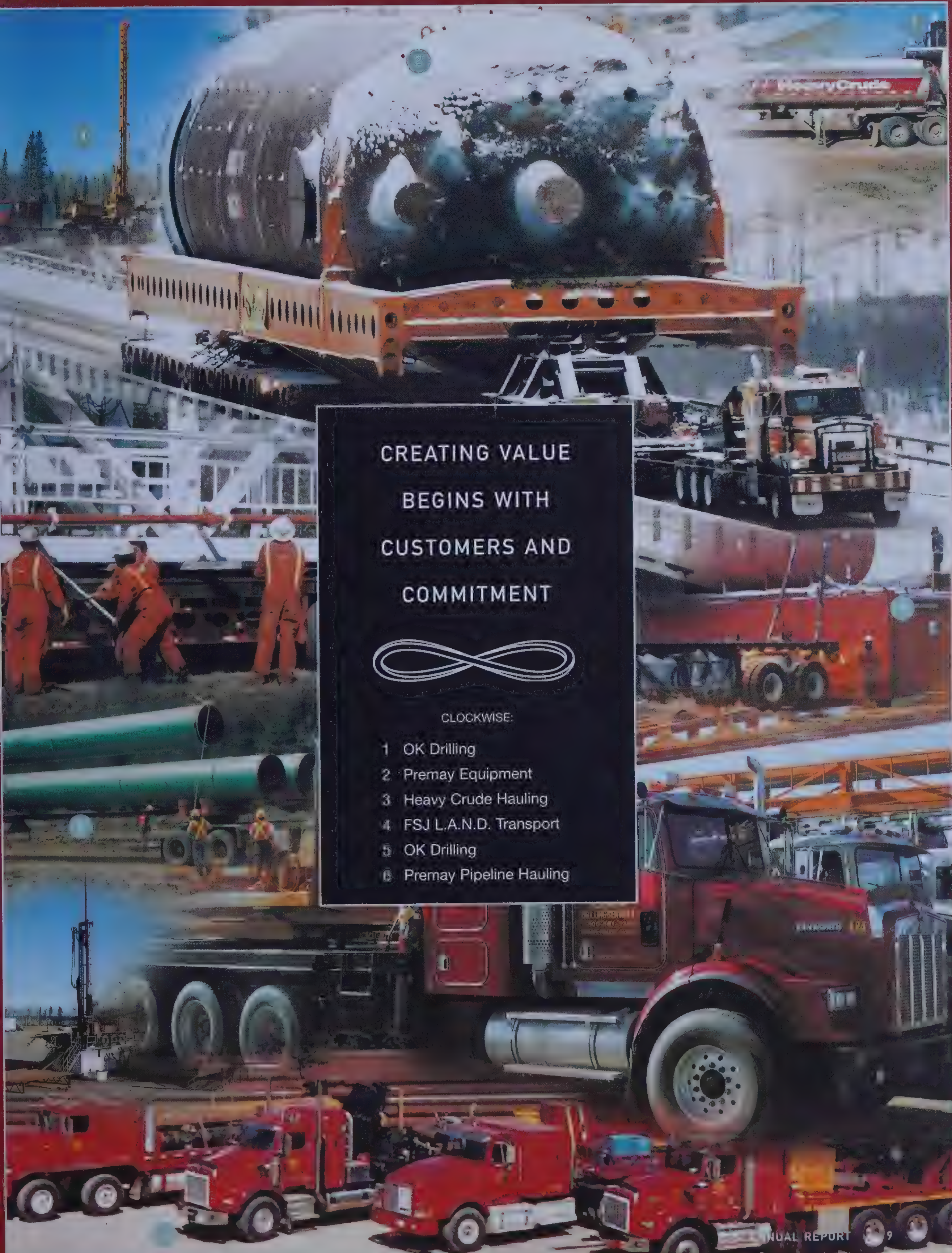
"From an operational perspective we are very pleased with the results achieved by both the Oilfield Services segment and the Trucking segment in 2004. As we enter 2005, I am very excited about Mullen's prospects."

Stephen H. Lockwood
President and Co-CEO

OILFIELD SERVICES SEGMENT

Today, the Oilfield Services segment represents approximately 65 percent of Mullen's corporate revenues and an even greater share of profitability as is evident in the graphs on page 12. The segment is comprised of 10 business units, each of which provides a specialized service to the oil and gas industry in western Canada and the far north. The primary services currently offered by our Oilfield Services segment are: rig moving services, specialized services, drilling services and production services.

COMPANIES	SERVICES PROVIDED	NUMBER OF POWER UNITS
MULLEN TRUCKING INC. – OILFIELD SERVICES	Rig moving services	150
FSJ L.A.N.D. TRANSPORT LTD.	Rig moving services	28
PREMAY EQUIPMENT LTD.	Specialized services – transporter of oversize and overweight items	65
PREMAY PIPELINE HAULING LTD.	Specialized services – stockpiling and stringing of pipe related to oil and gas transmission	14
NORTHERN UNDERWATER SYSTEMS (N.U.S.) LTD.	Specialized services – commercial diving, pumping, barging and dredging services	160 pumps
CORA LYNN DRILLING PARTNERSHIP	Drilling services – core drilling related to oil sands exploration and casing setting	27 core drilling rigs
ANDERSON AIR DRILLING LTD.	Drilling services – water well drilling and conductor pipe and casing setting	3 drilling units
OK DRILLING SERVICES INC.	Drilling services – conductor pipe and casing setting	25 drilling units
E-CAN OILFIELD SERVICES PARTNERSHIP	Production services – specialized services to the heavy oil industry	153
HEAVY CRUDE HAULING PARTNERSHIP (Includes Lloydminister Heavy Crude Services Ltd.)	Production services – bulk hauling of heavy oil and produced water	186



CREATING VALUE BEGINS WITH CUSTOMERS AND COMMITMENT

CLOCKWISE:

1 OK Drilling
2 Premay Equipment
3 Heavy Crude Hauling
4 FSJ L.A.N.D. Transport
5 OK Drilling
6 Premay Pipeline Hauling

2004 HIGHLIGHTS

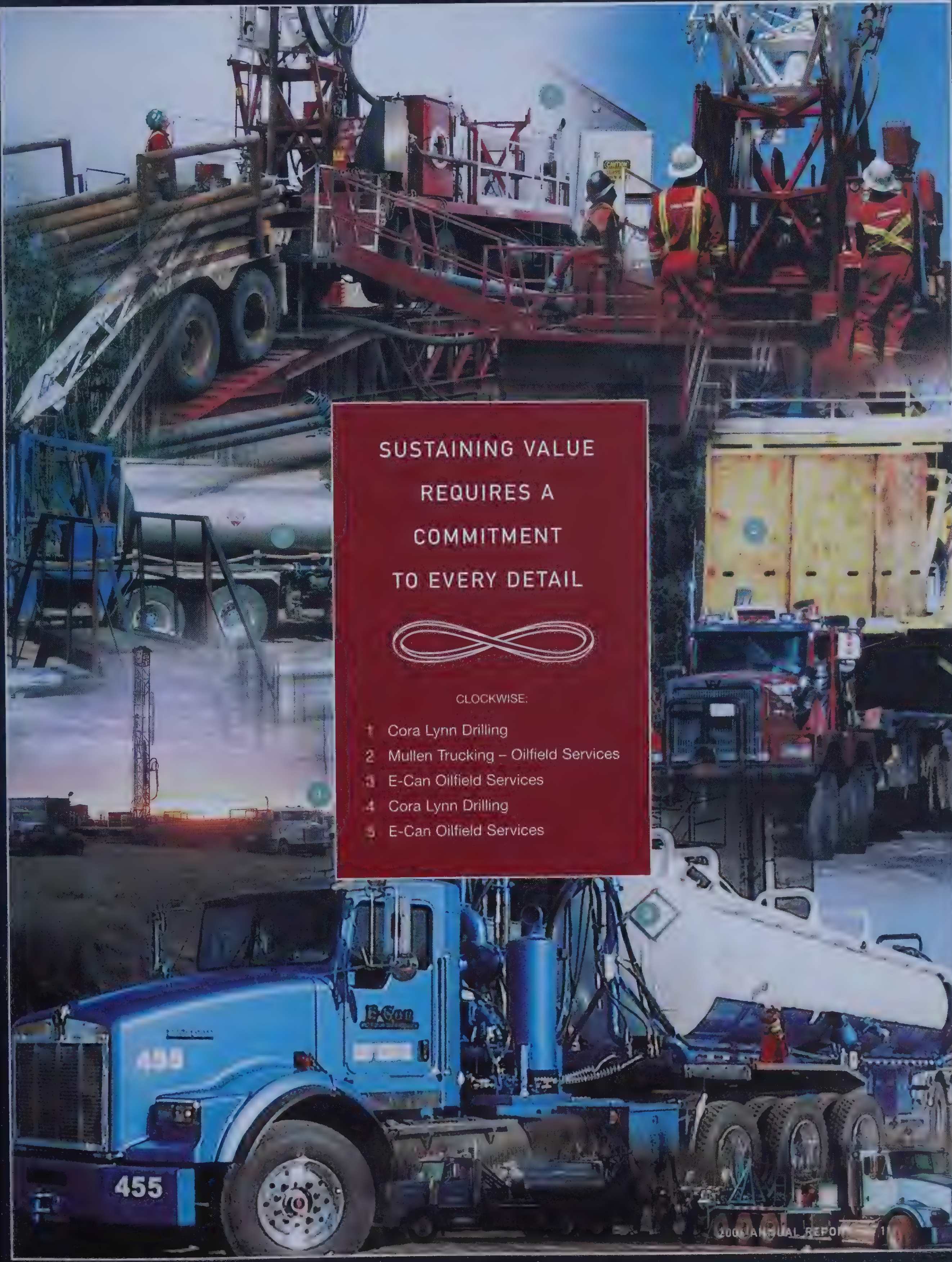
- High crude oil and natural gas prices continued to provide strong demand for services.
- Acquisition of Cora Lynn Drilling Co. Ltd. accelerated growth.
- Acquired Northern Underwater Systems (N.U.S.) Ltd. in October.
- Safety performance was exceptional.
- Drilling activity in western Canada attained a record 22,901 wells versus 21,733 in 2003 (as reported by First Energy Capital Corp.).

The Oilfield Services segment experienced another impressive 12 months, capitalizing on what can only be described as a tremendous year for the entire oil and gas industry. Record crude oil prices, accompanied by natural gas prices that are double from a few years ago, provided exploration and producing companies with record cash flows. The majority of the cash flow was reinvested in capital projects and new infrastructure development, as well as expanded drilling programs – all areas that Mullen serves.

The strong market conditions, accompanied by some very timely acquisitions over the past few years, contributed to a record performance in the Oilfield Services segment in 2004. Cora Lynn Drilling Co. Ltd. ("Cora-Lynn"), acquired by Mullen in October 2003, met our expectations and was one of the major reasons for our exceptional performance. Cora Lynn operates 27 truck-mounted drilling units that are specifically designed to drill and recover core samples in Alberta's oil sand deposits, an area that contains some of the largest bitumen (very heavy oil) reserves in the world. Unlike conventional oil drilling however, the oil sands involve minimal exploration risk. Before investing billions of dollars into oil sands operations, companies drill hundreds of core holes on the prospective lands over a period of years to determine the extent of the oil-in-place.

Building and acquiring companies with a strong presence in Alberta's oil sands, such as Cora Lynn, is one of Mullen's core growth objectives. In 2004 Mullen acquired another specialized service company with strong links to the oil sands. Northern Underwater Systems (N.U.S) Ltd. ("NUS") provides a wide range of industrial pumps, dewatering services, barging, dredging and even underwater diving experts. The oil sands projects utilize a significant amount of water in the processing of bitumen to useable crude oil, providing NUS with a strong base of business as well as growth opportunities.

The development of the oil sands is only one area of focus for the energy sector in western Canada. Adjacent to the prolific oil sand deposits are heavy oil pools that can be developed with conventional technology – drill rigs and artificial lifts to pump the heavier oil to the surface. Heavy oil is costly to produce due to the significant volumes of water and sand that are associated with the oil being produced. There are currently thousands of wells pumping in the region which require ongoing well servicing and maintenance in addition to transporting the oil to the primary battery collection stations. As well, the residual water and sand from the wells must be transported to disposal facilities.



SUSTAINING VALUE REQUIRES A COMMITMENT TO EVERY DETAIL

CLOCKWISE:

1. Cora Lynn Drilling
2. Mullen Trucking – Oilfield Services
3. E-Can Oilfield Services
4. Cora Lynn Drilling
5. E-Can Oilfield Services

E-Can Oilfield Services and Heavy Crude Hauling, which together operate more than 325 trucks, are two of the largest suppliers in Alberta's heavy oil region. In 2004 business activity increased only marginally over prior years primarily because drilling activity in the region was limited by the oil companies.

Natural gas drilling was very active in 2004 with more than 16,525 wells drilled and completed in western Canada. This unprecedented activity was the principle reason for the strong performance of our rig moving businesses – Mullen Trucking Inc. - Oilfield Services and FSJ L.A.N.D. Transport Ltd. We believe the outlook is very strong for continued high drilling levels. Natural gas prices are influenced by North American supply and demand fundamentals. Currently, demand for natural gas is strong and continues to grow, while supplies remain tight. Basin-wide, the average decline rate of new wells is higher than a decade or more ago. This means the energy sector must drill more wells to maintain annual production at current rates. This should translate into increased drilling activity.

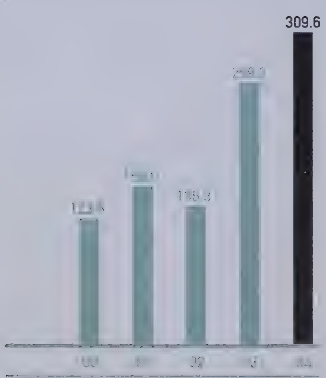
To meet North America's energy needs, energy companies are investing significantly in capital projects and building the infrastructure required to bring oil and natural gas to market. Through its subsidiaries, Mullen Transportation and its shareholders are beneficiaries of this investment.

Premay Equipment Ltd. is one of the leading service providers in the super-heavy hauling business. Premay's business was strong in 2004, but lower than previous years due to the timing of major projects.

We believe the outlook is very positive for the oilfield services sector. This is based in part on a number of recent announcements including the approval of two new major oil sands projects. The joint venture of Nexen and OPTI will develop a 70,000 barrel per day SAGD project and an integrated 60,000 barrel per day upgrader at Long Lake in northeast Alberta. Canadian Natural Resources Limited is proceeding with development of the Horizon oil sands project, a 232,000 barrels per day mining and upgrading operation. In addition, Syncrude and Suncor are expanding their oil sands operations, while Imperial Oil is enhancing its Cold Lake facility.

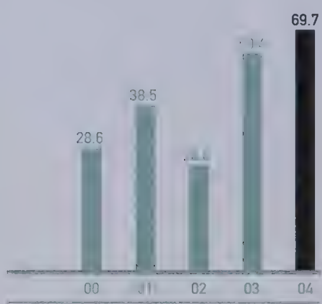
OILFIELD SERVICES REVENUE

($ Millions)



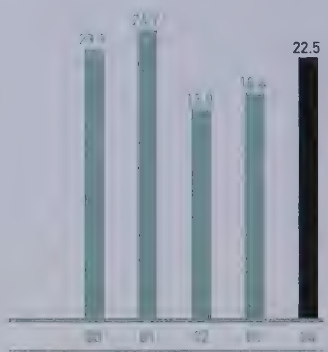
OILFIELD SERVICES OPERATING INCOME

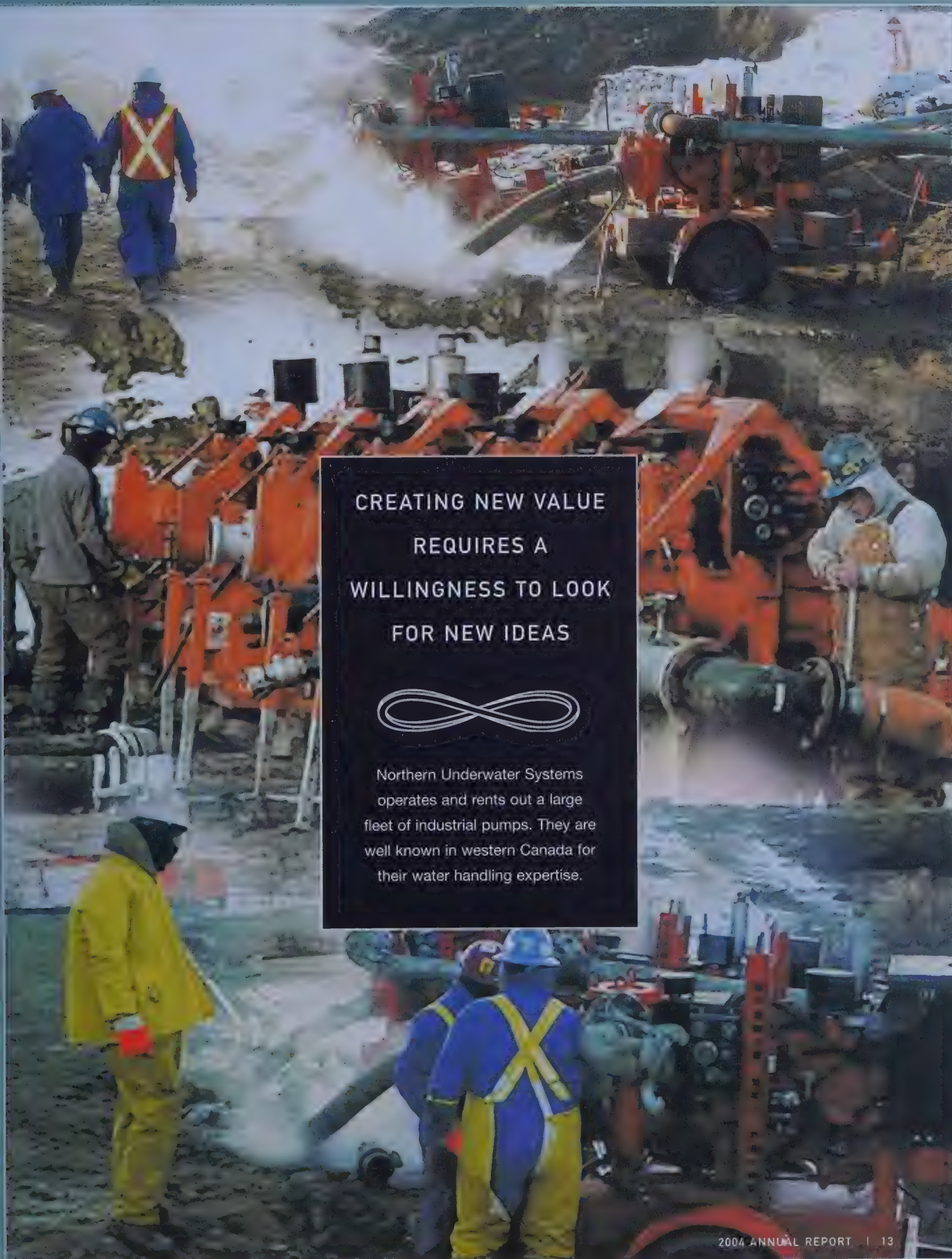
($ Millions)



OILFIELD SERVICES OPERATING INCOME

(As a % of Revenue)





CREATING NEW VALUE REQUIRES A WILLINGNESS TO LOOK FOR NEW IDEAS

Northern Underwater Systems operates and rents out a large fleet of industrial pumps. They are well known in western Canada for their water handling expertise.

TRUCKING SEGMENT

Mullen's Trucking segment represents approximately 35 percent of total corporate revenue but only 25 percent of Mullen's operating income. However, over the past three years, our Trucking segment has seen a steady year-over-year increase in both operating income and operating margins. The Trucking segment is comprised of four business units, each of which has a unique market niche.

COMPANIES	SERVICES PROVIDED	MARKET AREA	NUMBER OF POWER UNITS
MULLEN TRUCKING INC. - TRUCKLOAD	Irregular route truckload and less-than-truckload, flatbed, van and specialized hauling freight	Canada and the U.S.	166
CASCADE CARRIERS LTD.	Dry bulk freight and pressurized gas transport using specialized trailers	Western Canada	143
GRIMSHAW TRUCKING LTD.	Regional scheduled less-than-truckload	Western Canada and the Northwest Territories	135
MILL CREEK EQUIPMENT LTD.	Irregular route truckload and less-than-truckload van services	Canada, Mexico and the U.S.	131

Mullen also holds a 45 percent equity interest in Payne Transportation Inc., a Manitoba-based carrier that provides irregular route truckload and less-than-truckload services in Canada and the United States.

2004 HIGHLIGHTS

- Strong economic activity in Alberta which resulted in revenue increases for Cascade Carriers Ltd. and Grimshaw Trucking Ltd.
- Operating Income improvement of $2.1 million for the Trucking segment.
- Pricing leverage starting to occur in specific markets.
- Safety performance was exceptional.

PEOPLE CREATE
VALUE
NOT COMPANIES

CLOCKWISE:

1. Mullen Trucking – Truckload
2. Mill Creek
3. Grimshaw Trucking
4. Cascade Carriers

Each of the business units in our Trucking segment generated positive returns in 2004 despite the competitive pricing environment that existed due to the slow growth in the Canadian economy. As the year progressed we started to see some pricing leverage in the marketplace and by year-end operating margins in three of our four business units had increased over 2003.

We are very pleased with the financial results of Mullen Trucking Inc. - Truckload for 2004. On a year-over-year basis it increased its operating margin in a relatively competitive environment. In addition, Mullen Trucking Inc. - Truckload was very successful in maintaining its operating income despite losing the revenue from Syncrude's UE-1 project, which was completed in early 2004. The strong Alberta economy, especially in the energy sector, was the bright spot for Mullen Trucking Inc. - Truckload in 2004. We expect this will continue through 2005.

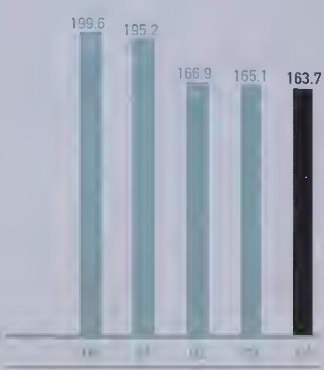
Cascade Carriers Ltd. had a very strong year in 2004, with higher revenue, operating income and operating margin compared to 2003. Similar to Mullen Trucking Inc. - Truckload, Cascade's performance was directly related to the strength of the Alberta economy and in particular the energy and construction sectors. In 2003, Cascade acquired 30 new trucks, the last of which was placed into service at the end of that year. The benefits of this decision, which was aimed at ensuring Cascade could meet its customers demanding service requirements while minimizing total truck operating costs, were realized in 2004 and should continue through 2005. In 2005, Cascade will focus on meeting or exceeding the service requirements of its customers, especially Lafarge Canada Inc., and identifying internal growth opportunities.

Grimshaw Trucking Ltd. was also very successful in increasing its revenue, operating income and operating margin in 2004. The management team eliminated marginal lanes, added new customers and managed costs. In 2005, Grimshaw will focus on identifying and implementing appropriate technology for growing the business without adding fixed costs. We anticipate that this initiative will be completed during the second or third quarter of 2005.

The eastern market in which Mill Creek Equipment Ltd. operates continues to be a difficult operating environment. Although revenue and operating income declined slightly from 2004, Mill Creek maintained its operating margin. We are optimistic that the new business plan developed for Mill Creek during 2004 will result in better overall results in 2005.

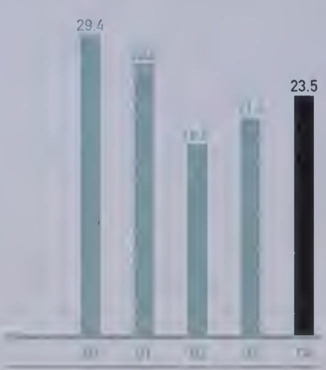
TRUCKING SEGMENT REVENUE

($ Millions)



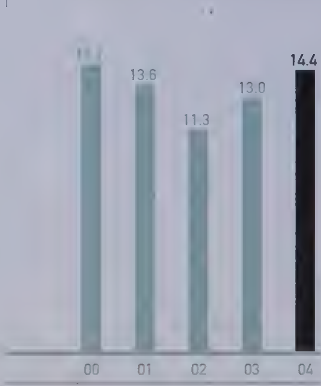
TRUCKING SEGMENT OPERATING INCOME

($ Millions)



TRUCKING SEGMENT OPERATING INCOME

(As a % of Revenue)



TRUE VALUE
IS CREATED
OVER TIME

CLOCKWISE:

1 Mullen Trucking – Truckload
2 Cascade Carriers
3 Mullen Trucking – Truckload
4 Mill Creek
5 Cascade Carriers
6 Mill Creek

NORTHERN OPERATIONS

Mullen's northern initiatives are carried out through Beaufort Oilfield Support Services Ltd. ("BOSS"), a Northwest Territories company owned by Mullen and E. Gruben's Transport Ltd. During 2004 Mullen doubled its capital investment in its northern operations through BOSS. The funds were used to acquire assets for BOSS' Marine division, Barge Camp division and Base Camp division.

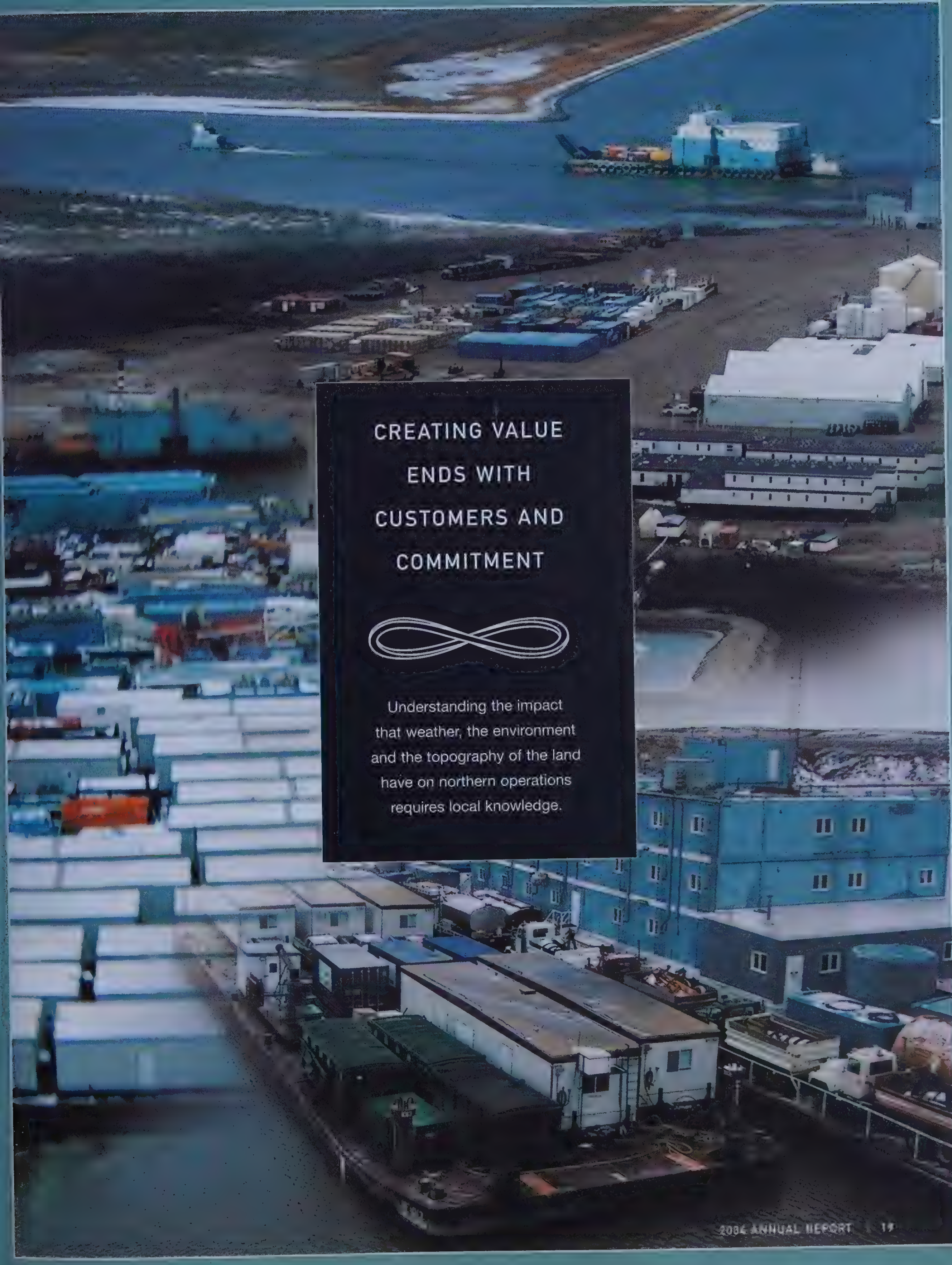
2004 HIGHLIGHTS

- Acquisition of the Wurmlinger and its successful voyage from Vancouver, around Alaska, to Tuktoyaktuk.
- Increased activity for the Marine division and Barge Camp division.

At the start of 2004, BOSS expanded its Marine division with the acquisition of a river tug (W.H. Horton), a self-propelled river barge (William Bradley) and six smaller river barges. These assets, which are based out of Inuvik and Tuktoyaktuk, were kept busy during the spring and summer of 2004. BOSS expects activity levels in 2005 to be at least as active as 2004.

In July 2004 BOSS strengthened its Barge Camp division with the acquisition of the Wurmlinger, a self-contained workshop and barge camp. The Wurmlinger was towed from Vancouver, around Alaska, and into Tuktoyaktuk in August 2004. The Wurmlinger is ideal for supporting marine or coastal construction, drilling, production or other operations in remote locations. The unit was almost immediately contracted for use for the winter of 2004/05.

In late 2004, BOSS acquired an interest in Arctic Oil and Gas Services Inc. ("AOGS"). AOGS is one of the main suppliers of camps, catering services, fuel sloops and other related oilfield services to the oil and gas industry in the McKenzie Delta and Colville Lake regions of the Northwest Territories as well as the Fort Nelson region of northwest British Columbia. One of AOGS' most important assets is a base camp at Swimming Point, in the McKenzie Delta. BOSS is confident that the base camp will be a very strategic asset as oil and gas activity accelerates in the McKenzie Delta region.



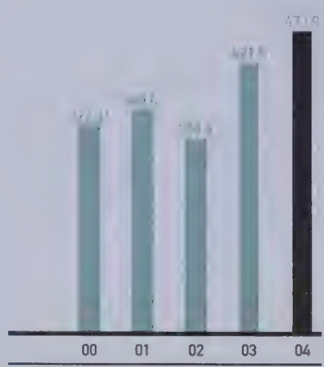
CREATING VALUE ENDS WITH CUSTOMERS AND COMMITMENT

Understanding the impact that weather, the environment and the topography of the land have on northern operations requires local knowledge.

FROM LEFT TO RIGHT: DAVID E. OLSON – Vice President of Finance and Chief Financial Officer, CALVIN TONG, Senior Financial Accountant, TERRY DYER, Senior Tax Accountant, STEPHEN CLARK, Director of Accounting Services

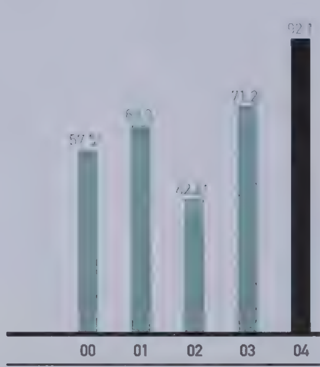
CONSOLIDATED REVENUE

($ Millions)



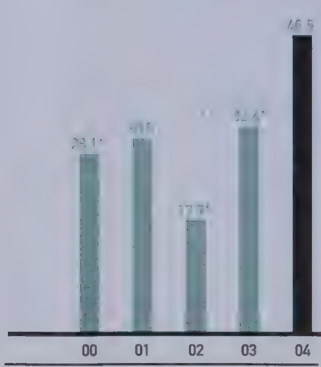
OPERATING INCOME

($ Millions)



NET INCOME

($ Millions)



* See note 1 on page 22

All amounts are from continuing operations.

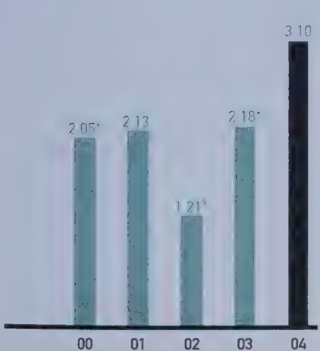
"The year was successful from a financial viewpoint, as revenues increased 11.7 percent, operating income increased 29.4 percent and net income increased 43.5 percent. We also generated a 34.4 percent increase in funds from operations, which enabled us to complete an acquisition for $11.9 million and also to reduce our long-term debt by $34.3 million. These results brought rewards to both employees and shareholders as employees saw their profit share increase by $1.7 million or 23.0 percent from 2003. Shareholders also benefitted as the return on equity improved to 18.9 percent from 15.5 percent in 2003, the annual dividends increased 25 percent to $0.50 from $0.40 per share, and the share price increased by 26.2 percent to $49.85 from $39.50. In all, it was a very good year."

David E. Olson
Vice President of Finance and CFO

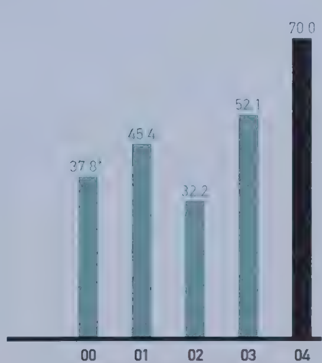
Year ended December 31

($ millions except per share amounts)	2004	2003*	% CHANGE
Revenue	$ 470.9	$ 421.5	11.7
Direct operating expenses	$ 328.9	$ 305.1	7.8
Selling and administrative expenses	$ 40.8	$ 37.9	7.7
Employee profit share	$ 9.1	$ 7.4	23.0
Operating Income	$ 92.1	$ 71.2	29.4
Net Income	$ 46.5	$ 32.4	43.5
Earnings per share	$ 3.10	$ 2.18	42.2
Funds from operations	$ 70.0	$ 52.1	34.4
Funds from operations per share	$ 4.66	$ 3.51	32.8
Debt to equity	.15:1	.33:1	–

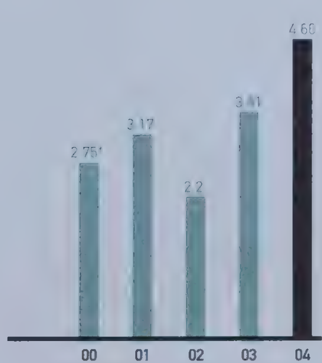
EARNINGS PER SHARE
($)



FUNDS FROM OPERATIONS
($ Millions)



FUNDS FROM OPERATIONS PER SHARE
($)



* See note 1 on page 22

All amounts are from continuing operations

SEVEN YEAR SELECTED FINANCIAL DATA

Years ended December 31 *($ thousands, unaudited)*	2004	(restated) 2003	(restated) 2002	2001	(restated) 2000	1999	1998
Revenue	$ 470,860	$ 421,504	$ 302,512	$ 349,582	$ 322,330	$ 261,111	$ 216,980
Expenses							
Direct operating expenses	328,853	305,060	224,729	246,534	230,090	189,828	154,106
Selling and administrative expenses	49,932	45,294	35,396	37,794	34,788	27,967	24,659
Operating income	92,075	71,150	42,387	65,254	57,452	43,316	38,215
Depreciation and amortization	19,871	17,819	13,975	12,937	11,362	11,504	7,077
Interest on long-term debt	1,865	1,504	36	158	460	858	203
Other interest	157	386	226	44	44	67	–
Loss (gain) on sale of property, plant and equipment	749	(92)	(255)	(325)	(508)	(730)	(345)
Gain on sale of investments	–	(304)	–	–	–	–	–
Income before income taxes, earnings from equity investments and amortization of goodwill	69,433	51,837	28,405	52,440	46,094	31,617	31,280
Provision for income taxes							
Current	22,041	18,229	10,906	19,624	19,179	13,818	13,570
Future	1,735	1,520	773	745	(2,554)	–	–
Deferred	–	–	–	–	–	881	753
	23,776	19,749	11,679	20,369	16,625	14,699	14,323
Income before earnings from equity investments and amortization of goodwill	45,657	32,088	16,726	32,071	29,469	16,918	16,957
Earnings from equity investments	820	332	945	479	42	–	770
Net income before amortization of goodwill	46,477	32,420	17,671	32,550	29,511	16,918	17,727
Amortization of goodwill	–	–	–	2,040	1,399	1,152	165
Net income from continuing operations	46,477	32,420	17,671	30,510	28,112	15,766	17,562
Net income from discontinued operations	–	–	–	169	2,659	–	–
Net income	$ 46,477	$ 32,420	$ 17,671	$ 30,679	$ 30,771	$ 15,766	$ 17,562

Note 1:

- *2003 and 2002 amounts or percentages have been restated to reflect the retroactive adoption of the new Canadian accounting standards that apply to the fair value method of all stock-based payments and awards.*
- *2000 amounts or percentages have been restated to account for discontinued operations.*

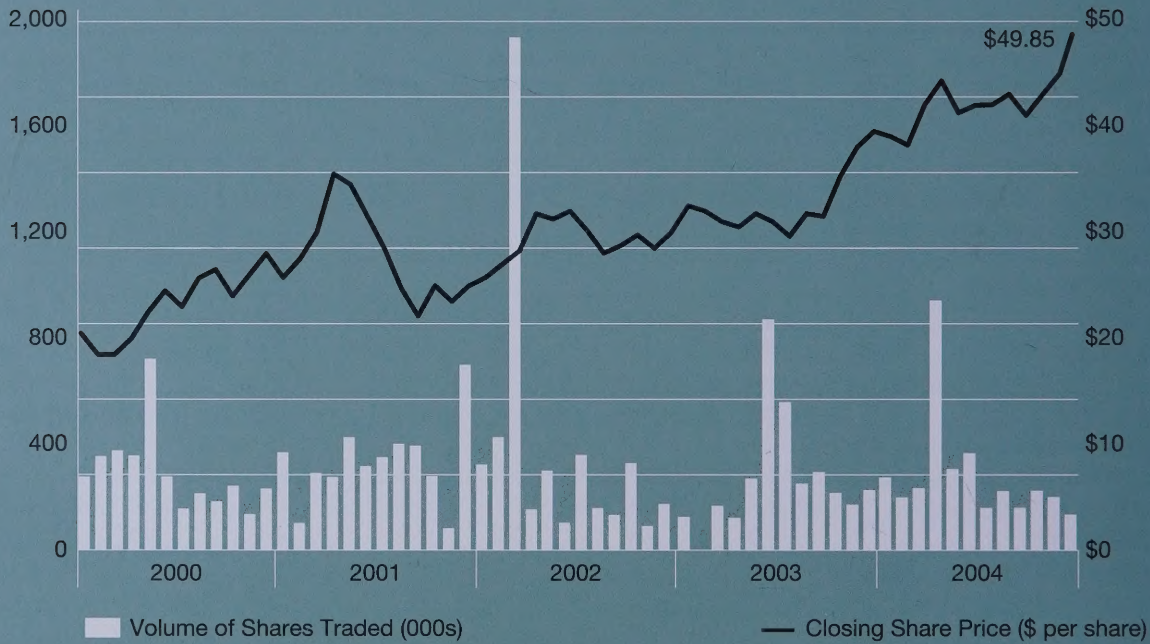
SEVEN YEAR SELECTED FINANCIAL DATA

Years ended December 31 *($ thousands, unaudited)*	2004	(restated) 2003	(restated) 2002	2001	(restated) 2000	1999	1998
Ratios – Operations							
Return on equity [1]	18.9%	15.5%	9.5%	18.3%	21.1%	12.9%	17.0%
Gross Margin – percent of revenue [2]	30.2%	27.6%	25.7%	29.5%	28.6%	27.3%	29.0%
Selling and administrative expenses – percent of revenue	10.6%	10.7%	11.7%	10.8%	10.8%	10.7%	11.4%
Financial Position							
Operating ratio [3]	84.8%	87.3%	90.5%	85.5%	86.0%	88.0%	85.5%
Acid test ratio [4]	1.39	1.57	1.49	2.15	1.61	2.25	1.72
Net property, plant and equipment	$ 189,436	$ 187,801	$ 149,160	$ 116,769	$ 111,615	$ 93,288	$ 72,569
Total assets	$ 400,709	$ 381,643	$ 294,532	$ 231,537	$ 228,999	$ 176,802	$ 144,987
Long-term debt (including current portion)	$ 39,176	$ 73,584	$ 30,506	$ 1,038	$ 4,274	$ 6,211	$ –
Shareholders' equity	$ 267,975	$ 224,333	$ 194,687	$ 176,520	$ 158,535	$ 133,387	$ 111,155
Debt to equity [5]	0.15	0.33	0.20	0.01	0.03	0.05	–
Common Share Data							
Funds from operations [6]	$ 69,967	$ 52,116	$ 32,195	$ 45,428	$ 37,769	$ 28,573	$ 24,442
Funds from operations per share [7]	$ 4.66	$ 3.51	$ 2.20	$ 3.17	$ 2.75	$ 2.15	$ 1.84
Book value per share [8]	$ 17.79	$ 15.05	$ 13.18	$ 12.22	$ 11.31	$ 9.76	$ 8.45
Earnings per share [9]	$ 3.10	$ 2.18	$ 1.21	$ 2.14	$ 2.24	$ 1.18	$ 1.32
Price/Earnings ratio [10]	16.1	18.1	24.8	11.7	12.5	16.5	12.3
Weighted number of common shares outstanding *(thousands)*	15,008	14,853	14,647	14,313	13,741	13,310	13,258

* *Restated – see note 1 on page 22*

1 *Return on equity was calculated by dividing net income by average shareholders' equity.*
2 *Gross margin was calculated by dividing sales, less direct operating costs, by sales.*
3 *Operating ratio was calculated by dividing the total cost before taxes, and interest as a percentage of revenue.*
4 *Acid test ratio was calculated by dividing cash plus receivables by current liabilities.*
5 *Debt to equity was calculated by dividing total debt by shareholders' equity.*
6 *Funds from operations were calculated as funds from operations before the effect of changes in non-cash working capital items.*
7 *Funds from operations per share were calculated by dividing funds from operations by the weighted average number of shares outstanding.*
8 *Book value per share was calculated by dividing common shareholders' equity by the number of common shares outstanding.*
9 *Earnings per share was calculated by dividing net income by the weighted average number of shares outstanding.*
10 *Price-earnings ratio was calculated by dividing year-end closing price by earnings per share.*

SHAREHOLDER INFORMATION



STOCK TRADING ACTIVITY: MTL

Opening price January 2, 2004:	$ 39.50
Closing price December 31, 2004:	$ 49.85
Total number of shares traded in 2004:	3,490,073

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company
600 333–7th Avenue S.W.
Calgary, Alberta T2P 4P4
Telephone: (403) 232-2400

Shareholder Services:
North America: 1-800-387-0825
Outside North America: 1-416-643-5000
Website: www.cibcmellon.com

STOCK EXCHANGE

The Toronto Stock Exchange
Trading Symbol: MTL

ONLINE INFORMATION

Additional information on Mullen Transportation Inc. and its group of companies, and this annual report can be viewed electronically at: *www.mullen-trans.com*

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Murray K. Mullen
Chairman, Co-Chief Executive Officer and Director

Alan D. Archibald [1, 2]
Director

Lana R. Batts [1]
Director

Bruce W. Mullen
Senior Vice President and Director

David E. Mullen
Senior Vice President and Director

Francis M. Saville, Q.C. [2]
Director

Bruce W. Simpson [1]
Director

Stephen H. Lockwood, Q.C.
President and Co-Chief Executive Officer

David E. Olson
Vice President, Finance and Chief Financial Officer

Sharon L. Kaiser
Corporate Secretary

1 *Member of the Audit Committee*

2 *Member of the Compensation, Nomination and Corporate Governance Committee*

HEAD OFFICE

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BANKER

The Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL

Carscallen Lockwood LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Mullen Transportation Inc. will be held on May 2, 2005 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time).

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Mullen
TRANSPORTATION INC.

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